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China Report

ECONOMIC AFFAIRS

No. 192

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NATIONAL POLICY AND ISSUES

NEWS AGENCY LOOKS AT TWO KINDS OF READJUSTMENT

HK140303 Beijing ZHONGGUO XINWEN SHE in Chinese 0739 GMT 12 Dec 81

[Review: "Comparing Two Kinds of Readjustment"]

[Text] Deputies attending the fourth session of the Fifth NPC and members attending the fourth session of the Fifth CPPCC have been holding serious and warm discussions on Premier Zhao Ziyang's government work report in recent days. They have unanimously held China's national economic readjustment has gained notable achievements and the entire national economy has started to embark on the track of steady development. In his report, Premier Zhao scientifically summed up the experiences and lessons in China's economic construction and put forward 10 major construction principles. These are of great significance for the country's economic development.

China's economic readjustment has evoked strong international response, and even today some people are still dubious about it. One of the important reasons for this is that they mention China's economic readjustment in the same breath with economic readjustment in the West and regard the two as the same thing. In fact, these are two different kinds of economic readjustment, carried out under two different social systems, so their results are bound to be completely different.

China is a socialist country, and the major characteristics of its economic structure are that public ownership predominates and a planned economy is practiced, with economic regulation by market mechanism as a supplementary factor. China is carrying out economic readjustment in order to solve the serious defects of grave economic imbalance and irrational internal structure caused by a long period of guidance by leftist ideology, and thus guide the national economy onto the track of healthy development. This type of readjustment is therefore being carried out in a conscious and orderly way; it is a readjustment that can reach its predicted aims. This is precisely an expression of the superiority of China's socialist system. Premier Zhao's report forcefully proved this point.

The countries of the West are also carrying out economic readjustment. Both the Thatcher government in Britain and the Reagan administration in the United States have discarded the classic Keynesian economic theory of the demand side and replaced it with the economic theories of the monetarists and the supply side. They have attempted to treat the economic theories of the so-called "new development school" as a cure-all to help find a way out of the impasse. But what are the results? Let us just contrast the two different kinds of readjustment in the following four aspects:

Economic growth--China has carried out major readjustment this year and has also suffered severe natural disasters. Total value of industrial and agricultural output has risen by about 3 percent over 1980, and the entire economic situation is much better than expected. U.S. production fell by 3.5 percent last year, while Britain's fell by 6.8 percent. In the fourth quarter this year, the U.S. economic situation has deteriorated still more and production has shown a big decline. October auto sales showed a steep fall of 24 percent, while the number of business bankruptcies in that month rose by 42 percent compared with October 1980.

Finances--China has basically balanced its budget, and the deficit is estimated to fall to 2.7 billion yuan this year from 17 billion yuan in 1979 and 12.7 billion in 1980. The U.S. financial deficit is huge, and is expected to approach \$100 billion in the fiscal year ending 30 September 1982.

Prices--While achieving a balanced budget, China has maintained basically stable market prices. Prices of certain commodities have indeed soared, but the government is now taking effective steps to solve these problems. U.S. prices rose by 12.6 percent in 1980, and are expected to show an annual increase of 14.4 percent this year.

Employment--China found urban jobs for 20 million in the previous 3 years, and expects to provide a further 8 million this year. U.S. unemployment was 7.5 percent in September and rose to 8 percent in October. The number of unemployed has reached 8.52 million.

Facts are the best teachers. Do not these simple contrasts clearly reveal the essence of the problem? CPPCC member and well-known economist Guan Mengjue put it well: Due to the ever-growing contradictions between the production socialization and private ownership forms in the West, the conflict between surplus production and shrinking markets is bound to become more and more sharp, and there is no way of solving this chronic malady, no matter what economic theories are applied or who comes to power. In a word, this is something determined by the West's social system, and cannot be changed by people's will.

According to Premier Zhao's report, China's economic readjustment will require another 5 years or maybe a bit longer. After the readjustment, China's national economy will lay a firm foundation for further development, and a period of economic boom will follow. The Chinese people have full confidence in this.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

'ZHONGGUO XINWEN SHE' INTERVIEWS NPC VICE CHAIRMAN

HK150549 Beijing ZHONGGUO XINWEN SHE in Chinese 0930 GMT 10 Dec 81

[Feature by correspondent Huang Minxuan [7806 3046 8830]: "An Interview With Zhu Xuefan"]

[Text] Beijing, 13 Dec (ZHONGGUO XINWEN SHE)--At the fourth session of the Fifth NPC, Mr Zhu Xuefan was elected vice chairman of the Standing Committee of the NPC in a by-election. I expressed my congratulations to him.

He said: "Do not congratulate me because I personally am insignificant. You should congratulate our government and people. In a year of great disaster we have succeeded in gaining the second highest yields since liberation and striking a near balance of financial revenue and expenditure and of credit, and the people's livelihood has improved markedly. As the saying goes, people can move Mount Tai so long as they have unity of mind. This is the outcome of the government and the people in their common fight with one heart and one mind."

Zhu Xuefan said to me with deep feeling that what he longed for day and night was to see in his lifetime the compatriots on both sides of the Taiwan Strait shake hands and make it up. He said: "I sincerely propose that, before the official restoration of postal communications, colleagues of the postal services on both sides of the Taiwan Strait might as well ask for the approval from the postal service authorities of each side to mutually send 'relatives' post pags' once a week first. A transfer station can be set up in Hong Kong. The exchange post offices can temporarily be fixed in Beijing for the mainland and in Taipei for Taiwan. I hope our colleagues on both sides of the Taiwan Strait will study and consider the feasibility of this method."

People who are familiar with Mr Zhu Xuefan consider him a very energetic old man. He was the first minister of posts and telecommunications after the founding of the PRC. Although he no longer works in the Ministry of Posts and Telecommunications, he still likes to stroll in the streets and lanes and enters a telephone booth to make a call by the neighborhood telephone service to see how long it takes to get through, or goes to a post office in the downtown area to see what difficulties a sender encounters when sending a letter or a parcel. Since he often goes there, some old staff members and workers recognize him and called him "old minister" in an affectionate manner and say in a low voice: "Our old minister has come again to inspect work." Zhu Xuefan always smiles and talks with them about their professional work.

Born in Songjiang County's Fenjing Town, Jiangsu Province, Zhu Xuefan was admitted to Shanghai Post Office at the age of 19 and worked as a clerk there. In 1929, an incident happened which infuriated the residents of Shanghai: a richshaw driver was beaten to death by a foreign soldier. At that time, the workers and students in Shanghai set up a backup association and Zhu Xuefan was one of the representatives of the Postal Workers' Trade Union. He showed his organizational ability in the negotiations and was later elected a member of the Trade Union. From then on, he assiduously studied the profession of postal services while engaging in the worker's movement. He also served as chairman of the Shanghai Federation of Trade Unions.

In 1935, together with Tao Baichuan and Lu Jingshi, Zhu Xuefan organized the "China Association of Labor" in Shanghai. During the war of resistance against Japan, the "Labor Association" moved from Shanghai to Wuhan and then to Chongqing and Zhu Xuefan was the director general of the association. On many occasions he attended international labor conferences on behalf of the Chinese workers and visited many countries in Europe. To date our revered Mr Zhu can still speak a little English.

While engaging in the worker's movement before liberation, Zhu Xuefan did not cherish any political prejudices. He took advantage of the public and lawful position of the "Labor Association" to take possible measures jointly with the trade unions in the liberated areas and strive for the unity and unification of the worker's movement of the whole country. This was a great contribution in upholding the war of resistance against Japan. However, his enlightened attitude toward the worker's movement also brought about continuously escalating pressure from the Kuomintang authorities and on 15 November 1946 he was forced to flee from Shanghai to Hong Kong.

On the 10th day after his arrival in Hong Kong, Zhu Xuefan was injured in an assassination attempt. He went out by richshaw that day, and when he was passing near the Royal Navy Club at Johnston Road, a car suddenly knocked him down from behind with a powerful force. He fell to the ground in a swoon and was seriously injured. When his condition was a little better after being cured at Hong Kong's Queen Mary Hospital for a time, he went to the United States to meet General Feng Yuxiang. After his return to Hong Kong, he deliberated on the establishment of the Revolutionary Committee of the Chinese Kuomintang together with Li Jishen, He Xiangning and others. He was one of the founders of the Revolutionary Committee of the Chinese Kuomintang and is now a vice chairman of its Central Committee.

It was in January 1948 that Zhu Xuefan attended the Executive Committee meeting of the World Federation of Labor for the last time. When he arrived in London, he issued the wellknown "statement on the current political situation." Dissatisfied with the civil war "between brothers," he expressed his strong desire that China must be independent, democratic and in peace. After the meeting, which was at the end of February of the same year, he arrived from abroad at Harbin in the northeast liberated area and was warmly welcomed by CCP leaders Mao Zedong and Zhou Enlai.

After liberation, he served as vice chairman of the All-China Federation of Trade Unions.

He is concerned about the postal communications between the mainland and Taiwan and on many occasions has appealed to the Taiwan authorities: Let the family members on both sides of the Taiwan Strait communicate with one another.

Mr Zhu Xuefan has four sons and a daughter. A son and a daughter who engage in social science and natural science are now living with him and he has a group of grandchildren. Once, when someone wanted to take a photo of Uncle Zhu's "whole family," Mr Zhu laughingly said: "Do not bother. If you take a photo of my grandchildren as well, I am sure I can form a squad;" our reverend Mr Zhu is indeed a man of great humor.

His interests in life are collecting calligraphy and paintings, but they are not from well-known persons; he likes growing flowers, but they are the precious ones. He also often practices calligraphy after a model. He said: "Practicing calligraphy is the best rest for my brain."

CSO: 4006/166

NATIONAL POLICY AND ISSUES

NPC DEPUTY ON PEOPLE'S RISING PURCHASING POWER

OW100426 Beijing XINHUA in English 0310 GMT 10 Dec 81

[Text] Beijing, 10 Dec (XINHUA)--As people have more money in their pockets, they are now buying better food and a greater variety of consumer goods, said Zhang Binggui, a shop assistant and deputy to the National People's Congress.

National model worker Zhang Binggui, who works at Beijing's biggest department store, said that customers, both young and middle aged, men and women, were choosing more stylish clothing nowadays.

Young women now buy more colorful costumes, better face creams and hair oils, Zhang Binggui said. A new kind of face cream containing pearl powder that soothes the skin well is a best seller although it costs about one yuan more per bottle than the common types.

"The policy of giving priority to light industry mentioned by Premier Zhao Ziyang in his report to the N.P.C. session," he said, "is a policy for the people. It has put a rich supply of consumer goods on the market."

People are no longer content with traditional patterns, he said. They want new designs of textiles, clothing, bed blankets, furniture, thermos bottles, vases and ornamental artificial flowers.

TV sets, woolen and silk textiles and tape recorders, only within the reach of people with higher pay before, are now quite popular items, the model worker said.

Zhang Binggui, now 62 but in good health, has been a shop assistant for 45 years and is now working in the candy selling section. Customers take more time to select candies, he said. Their favorite choices include famous Beijing crisp candy, walnut and coffee candies, and sweets containing calcium specially made for children. There is also a kind of candy suitable for people suffering from diabetes.

He said that his department store sold both luxuries and cheap things that cost no more than one cent, such as a piece of candy or a button, for the convenience of the people.

Zhang Binggui said that his department store at the downtown area of Wangfujing sells 28,000 varieties of goods ordered from all parts of the country. Its business transactions have grown in the past few years and amount to 220 million yuan this year.

Zhang Binggui still stands behind the counter about 2 hours a day. He always surprises the customers by his speed in taking, weighing and packaging candies and calculating the prices. "I do this to save time for the customers," he said.

His daily work also includes training young shop assistants and devising ways for improving management, Zhang Binggui said.

CSO: 4020/51

NATIONAL POLICY AND ISSUES

CPPCC ENDORSES REPORT ON STANDING COMMITTEE WORK

OW150441 Beijing XINHUA Domestic Service in Chinese 1158 GMT 14 Dec 81

[Resolution of the fourth session of the Fifth CPPCC National Committee on the report concerning the work of the Standing Committee--adopted by the fourth session of the Fifth CPPCC National Committee on 14 December 1981]

[Text] Beijing, 14 Dec (XINHUA)--The fourth session of the Fifth CPPCC National Committee unanimously endorses the report by Vice Chairman Xu Deheng on the work of the Standing Committee.

Our country's political and economic situation has been good and the patriotic united front has been further consolidated and developed since the third session of the Fifth CPPCC National Committee, held in September 1980, and under the leadership of the CCP. The Standing Committee has done a great deal of work, in compliance with its decisions and in keeping with the new situation, by relying on all CPPCC members. The session is satisfied with the achievements made.

The work principles and tasks for the CPPCC that are put forth by Vice Chairman Xu Deheng in his report are adequate. The session calls on the Standing Committee and other work departments to pay attention to the criticism and suggestions put forth by the plenary meeting, to adopt positive measures for strengthening the ties between the members and local CPPCC organizations, to conduct thorough investigation and study, to pay attention to summing up experience, to improve work and raise efficiency, to vigorously implement the principles and tasks put forward in the work report and the political resolution approved by this plenary meeting and to make new contributions toward accomplishing the socialist modernization, safeguarding world peace and fulfilling the great cause of reunifying the motherland.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

BEIJING NPC DEPUTIES BRIEFED ON FINANCE MATTERS

OW131249 Beijing XINHUA Domestic Service in Chinese 1455 GMT 12 Dec 81

[Report by XINHUA correspondents Chen Naijin and Zhu Jigong]

[Excerpts] Beijing, 12 Dec (XINHUA)--NPC deputies think: Although the country still faces many difficulties, the party and government have made very great efforts to improve the livelihood of the people in urban and rural areas. This is by no means easy, and it demonstrates the superiority of socialism.

At their panel meetings to examine Premier Zhao Ziyang's report on the work of the government, the Beijing delegation attending the fourth session of the Fifth NPC asked a staff member of the Ministry of Finance present at the panel discussion to brief them on relevant financial conditions of the country. The comrade from the Ministry of Finance gave two accounts at the panel meeting:

First, in the 3 years from 1979 through 1981, increased purchase prices for agricultural and sideline products and reduced taxes in rural areas have reduced state revenue by a total of more than 52 billion yuan, of which more than 44 billion yuan was used for increasing purchase prices for agricultural and sideline products. The masses of peasants have increased their incomes as a result.

Second, in the 3 years from 1979 through 1981, more than 20 million people in cities and towns have been provided jobs. In addition, wages for workers and staff members have been increased, and a reward system has been implemented. This has resulted in increased expenditures and reduced revenue by a total of 40.5 billion yuan. Of that amount, 10.4 billion yuan has been spent for expanding employment in these 3 years. As more people are employed, the number of people supported by each worker or staff member in cities become fewer, and the livelihood of workers and staff members improves accordingly.

According to information provided by the Ministry of Finance, in order to stabilize market prices since purchase prices for agricultural and sideline products were raised, the state has taken measures to subsidize the prices of 28 basic necessities required by the people and products serving the needs of agriculture. In 1978 the state spent 7.8 billion yuan for price subsidies. This was increased to 14.6 billion yuan in 1979 and 20.8 billion yuan in 1980, and it is estimated that it will be more than 32 billion yuan this year. Of this year's price subsidies, subsidies for grain, cotton and edible oil will amount to more than 22.8 billion

yuan. Subsidies for meat, fish, eggs, vegetables and coal for home use will amount to more than 2.4 billion yuan.

The briefing of the staff member of the Ministry of Finance evoked strong responses from deputies of the Beijing delegation. Zhao Ximing, NPC deputy and director of the Culture and Sports Department of the CYL Central Committee, said: I think the information given by the comrade from the Ministry of Finance is very important. We have the responsibility to explain and spread it among the masses of the people. The state is spending a lot of money to raise the purchase prices for agricultural and sideline products, to increase the peasants' income and to subsidize the prices of grain, edible oil, vegetables, meat, fish, eggs and other agricultural and sideline products needed by people in cities. This fully reflects the superiority of the socialist system.

Xu Qingwen, NPC deputy and national model workers, said: Since the 3d plenary session of the 11th CCP Central Committee, we peasants have deeply felt that the agricultural situation is excellent and there is reason to work hard, that economic policies have been implemented and we can rely on them, and that the harder we work, the greater the development. We feel that prospects are bright.

Zhang Binggui, NPC deputy and national model worker, said: From behind the counter I can clearly see how the people's living standards have improved. At our department store building, television sets, radios, wristwatches, woolen goods, woolen blankets and other high- and medium-grade goods are more and more welcomed by customers. Not only city workers and staff members are buying. Quite a few peasants from the suburbs and other places are also coming to make purchases. This shows that the state has made great efforts to improve the people's livelihood and has achieved remarkable results.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

XIZANG NPC DEPUTIES VIEW IMPACT OF ZHAO REPORT

OW100648 Beijing XINHUA Domestic Service in Chinese 1203 GMT 8 Dec 81

[Text] Beijing, 8 Dec (XINHUA)--In the past few days, the deputies of Xizang autonomous region attending the Fifth NPC's fourth session have been earnestly discussing Premier Zhao Ziyang's government work report. In connection with Xizang's realities, the deputies spoke glowingly of the excellent situation in economic construction and deepened their understanding of the significance of the 10 principles of economic construction and the principle of readjustment, restructuring, reorganization and upgrading. They felt confident of the motherland's future and Xizang's prospects.

The deputies said: Premier Zhao Ziyang's report is inspiring and full of substance. It not only expounds upon China's remarkable economic achievements in the course of readjustment and the 10 principles for future economic construction but also analyzes the present difficulties and problems and lays out the prospects for China's economic development. The deputies were satisfied with the basic balance of financial and credit revenues and expenditures. They said: It was previously believed that in China, a big nation with 1 billion people afflicted by the poison of the left, it would be difficult to overcome the huge financial deficits that occurred in the past 1 or 2 years. It is beyond our expectations that the revenues and expenditures should be basically balanced within such a short time. This is remarkable indeed.

Speaking of Xizang's situation and changes over the years, the deputies said: Since implementing the guidelines contained in the central authorities' relevant document last year, Xizang has extensively popularized production responsibility systems in agriculture and stockbreeding, greatly aroused the masses' enthusiasm and promoted the development of agriculture and animal husbandry. The situation is gratifying. This year, despite serious droughts that affected agriculture and widespread snowstorms that hit animal husbandry, performance in agriculture and animal husbandry has been relatively good. Rapid progress has also been made in diversified economy. The gross and per capita income in Xizang this year will considerably surpass those of last year. Some impoverished areas have doubled their incomes within a year. The people have markedly improved their living and undergone tremendous changes in their mental outlook. They have full confidence that they can conquer poverty to become rich.

In their discussions the deputies used numerous facts to show the gratifying changes in Xizang. In Nagu Prefecture's Baqen County, which is located 4,600 meters above sea level, an extraordinary snowstorm the like of which has not been experienced in decades hit three of the seven districts in December last year. The peasants and herdsmen overcame difficulties, helped tide the animals over the crisis and registered high yields of butter, wool and milk residue. Some herdsmen that lived in tents for years have built new houses. Some of them have savings deposits of more than 10,000 yuan.

In the past, under the influence of the left Shannan Prefecture's Zhanang County abolished sideline production, which was considered a vestige of capitalism. Earning a livelihood became more and more difficult for peasants and herdsmen and the county was well known for its poverty. Since the implementation of flexible policies and restoration of sideline production the people have increased their incomes. Many commune members have built new houses. A peasant household was able to come up with 7,000 yuan in cash offhand to build a house worth 20,000 yuan. As the peasants' purchasing power increases radio receivers, tape recorders and sewing machines become popular.

The deputies also voiced their opinions concerning the 10 principles for future economic construction. Some deputies said: The 10 principles are comprehensive and specific. They conform to China's conditions and suit Xizang. The principle "depend on policies and science to accelerate agricultural development," in particular, has tremendous significance for Xizang. The deputies said: To promote agriculture and animal husbandry it is necessary to actively practice and gradually perfect production responsibility systems in their various forms, firmly rely on the party's policy and develop agriculture and animal husbandry by adopting measures suited to local conditions. Some deputies also said: The state has attached importance to the development of consumer goods industry and further readjusted heavy industry's service orientation. This conforms to the people's aspiration. Although Xizang has few branches of industry, it should try to make full use of the existing industries and run them well. In no way should Xizang get along by relying solely on state support. Xizang has many milk cows but still has to secure milk powder from the interior. We should earnestly sum up experience and find a proper way to develop Xizang's industry.

In their discussions, the deputies presented opinions and suggestions in connection with the 10 principles for economic construction and Xizang's realities. The deputies said: While increasing the production of high- and medium-grade goods needed by the society, we should never overlook the production of popular small commodities that do not yield high profit but are needed by the masses. The production of commodities specially needed by minority nationalities is too important to be overlooked. It is necessary to create new designs, improve quality, lower prices and avoid only going after profits. They hoped that departments concerned would incorporate the production and supply of special commodities for minority nationalities (such as tea, hats for formal occasions and golden-edge silks) into the state plan and sign contracts with enterprises concerned for 5 years or more to enable the enterprises to organize production and supply in accordance with the stipulations of the contracts.

Concerning energy and transportation, the deputies said: These two things are all the more important for Xizang. Transportation in Xizang is very poor. Trucks are still the major means of transportation. Civil aircraft are few and outdated. Xizang has rich mineral deposits. Its chromite, borax and copper are all urgently needed by the state. They are also good commodities for exports to earn foreign exchange. However, due to underdeveloped transportation and other limitations, these mines have not been exploited. To help Xizang develop politically, economically and culturally, to strengthen national defense and to enable Xizang to contribute its share to the motherland's four modernizations as soon as possible we suggest that the construction of railways linking Xizang to the interior be included in the state plan and that the existing civil aircraft in Xizang be upgraded.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

LIAONING NPC DEPUTIES DISCUSS ZHAO ZIYANG REPORT

OW131100 Beijing XINHUA Domestic Service in Chinese 0818 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--The NPC deputies from Liaoning discussed Premier Zhao Ziyang's report on the government's work in the light of actual condition in the province.

NPC Deputy and Governor Chen Puru, citing the changes in five aspects of the economic situation in Liaoning, explained that the analysis of the economic situation in China over the past year made by Premier Zhao in his report conforms to reality and that our national economy has indeed embarked on the road of steady development.

The deputies offered some views and suggestions concerning how to improve the economic work. Deputy Zhang Shengji said: In renovating old enterprises, it is necessary to use advanced technology in order to raise the production efficiency, save money and conserve energy. He also suggested that in carrying out technical renovation, it is necessary to allocate funds for anti-pollution engineering projects. The present method of imposing fines on enterprises which discharge pollutants still cannot solve the pollution problem. Deputy Li Xun said: Speeding up the circulation of funds is the most important thing for improving the economic management. As a foreign saying goes, time is money--we must tap financial sources by speeding up the circulation of funds.

Deputy Li Songtang urged the government to limit the export of steel billets. It is necessary to fully utilize our country's blooming capability and roll steel billets into steel products for exports in order to earn more foreign exchanges. It is also necessary to curb the export of scrap steel and insure domestic supply first. He pointed out that in the past few years we have continuously reduced the scale of the production of steel and steel products in the country while exporting steel billets and importing steel products. This is a question that merits our study.

Deputy Jiang Peilu said that with its coastal location, beautiful scenery, complete industrial departments and convenient land and sea transportation, Dalian Municipality is endowed with favorable conditions for foreign investment. He hoped that the government will approve Dalian Municipality as a special district as soon as possible.

Deputies Qian Lingxi, Zhang Guoshi and Guo Hefu said: There must be legislation for investment in educational undertakings.

It is necessary to set up a department to unify the work of scientific research, suggested Deputy Li Xun at a group meeting. He said: At present, the scientific personnel from five departments--the Chinese Academy of Sciences, the National Defense Scientific and Technological Commission, institutes of higher learning, localities and departments--are scrambling for research projects. They concentrate the efforts on projects that others are working while ignoring subjects that others also ignore, thereby blockading research information from each other and counter-acting each other's efforts. The State Scientific and Technological Commission has failed to unify the research work. Why has the superiority of our socialist system not been brought into full play? It is because of the decentralization.

Some deputies made suggestions on the building of socialist spiritual civilization.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

NINGXIA DEPUTIES DISCUSS ZHAO'S NPC REPORT

OW101003 Beijing XINHUA Domestic Service in Chinese 1410 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--The Ningxia deputies attending the NPC meeting warmly discussed Premier Zhao Ziyang's report on the work of the government.

They pointed out: Since the third session of the Fifth NPC, Comrade Zhao Ziyang has made many achievements in leading the State Council. The State Council has seriously implemented the important policies of continuing economic readjustment and achieving more political stability as laid down by the CCP Central Committee. It has taken a series of effective measures and done a large amount of efficient work to eliminate very large deficits. It has also basically achieved a balance of revenue and expenditure, stabilized the economy as a whole and brought about the beginning of steady economic development in China. This fully shows that the leadership of the State Council is strong. The people of various nationalities in Ningxia completely trust the leadership of the Party Central Committee and State Council.

Ma Qingnian, Ma Xin, Li Yun and other deputies said: The 10 principles for economic construction set forth by Premier Zhao in his report were not formulated easily. They were formulated after we corrected the influence of leftist thinking on the economic work and after summing up the experience of nearly 3 years of practice. They also include the summing-up of our experiences and lessons gained during the 32 years since the founding of the PRC. They completely conform to China's situation and the socialist objective law of economy.

The deputies urged the state to include the harnessing of the Huanghe in the state capital construction plan.

The deputies also discussed how to take advantage of Ningxia's rich coal deposits. Ningxia has an abundance of coal resources and has the capability to produce 10 million tons of various types of superior coal annually. The deputies suggested that the State Council should solve the transport problem and ship the more than 1 million tons of mined coal out of Ningxia as soon as possible to support national construction.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

SHANXI NPC DEPUTIES STUDY ZHAO WORK REPORT

OW110101 Beijing XINHUA Domestic Service in Chinese 1312 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--In studying Premier Zhao Ziyang's report on the work of the government, the deputies of the Shanxi delegation attending the fourth session of the Fifth NPC said that the more they read Premier Zhao Ziyang's report, the more enthusiastic they feel.

Deputy Huo Shilian said: In his report on the work of the government, Premier Zhao Ziyang pointed out that emphasis must be placed on the exploitation of coal resources in Shanxi. This has greatly inspired and encouraged us. We must exert strenuous efforts in resolutely fulfilling the glorious tasks assigned the people in Shanxi by the CCP Central Committee and the State Council. It is earnestly hoped that the State Planning Commission, the State Economic Commission, the Ministry of Coal Industry, the Ministry of Finance, the Ministry of Railways and other departments concerned, as well as the fraternal provinces and municipalities will give us their great support and assistance.

He said: In order to increase coal production, we must do a great deal of work closely connected to coal production. The first is railway transportation. At present, coal accounts for 84.5 percent of the total freight. We are unable to export many other important supplies. In April of this year, Vice Premier Wan Li personally came to Shanxi to study transportation problems. He helped us overcome some major difficulties. To basically solve problems in transportation, it is necessary for the state to make investments to repair some railways. The second involves the public facilities for coal mines. Arrangements must be made to build schools, hospitals and stores in an overall manner. The third is the supply of farm and sideline products, particularly the supply of vegetables. For this, agricultural production must also be promoted. The fourth is water sources. The fifth is the comprehensive utilization of coal by doing a good job in coal liquefaction and gasification.

Deputy Ruan Bosheng talked about the economic situation in Shanxi. He said: In general Shanxi's economic situation conforms with Premier Zhao Ziyang's analysis of the national economy. First of all, we have a fine situation in agricultural production. Production responsibility systems have been enforced in 86 percent of the production brigades in our province, thus whipping up the peasants' enthusiasm for farming. Despite this year's serious drought, our province still registers an increase of summer crops as compared with last year. The growth of

autumn crops this year is also not worse than that of last year. The fine situation in agriculture is the major trend. From now on, we must further consolidate and improve the responsibility systems. This is extremely important. The industrial production situation for the first 6 months of this year was not satisfactory. The situation in the second half of the year has gradually taken a favorable turn, thus reversing the passive position. Shanxi's heavy industry accounts for 70 percent of the total industry in the province. Therefore, we still need to solve the major issue of whom our heavy industry serves in industrial production in addition to our efforts to step up the production of daily necessities and coal.

Deputies Zhao Yuting and Shi Huaibi said: Premier Zhao's report has followed the principle of seeking truth from facts and proceeded from China's state of affairs. It is difficult to understand a nation's state of affairs. We have suffered many setbacks and committed "left" errors in the course of socialist construction simply because we fail to clearly understand our nation's state of affairs. The greatest feature in the work of our Party Central Committee and State Council today is to proceed from the actual conditions. This year natural disasters affected 533 million mu of land in the whole country. Some 260 million mu were seriously affected. More than 130 million people have suffered from natural disasters (Shanxi Province is not included). However, we still reaped a good harvest this year and the situation is quite favorable. We have scored this achievement by relying on policy and science. We mainly rely on policy.

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NATIONAL POLICY AND ISSUES

SHANGHAI NPC DEPUTIES HAIL ZHAO ZIYANG'S REPORT

OW110229 Beijing XINHUA Domestic Service in Chinese 1804 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--The members of the Shanghai delegation attending the fourth session of the Fifth NPC held panel discussion meetings in the past few days to discuss Premier Zhao Ziyang's report on the work of the government. All the deputies freely expressed their views in a buoyant atmosphere.

Hu Lijiao, NPC deputy and second secretary of the Shanghai Municipal CCP Committee, said: Premier Zhao's analysis of the present national economy entirely conforms with the situation in Shanghai. The situation in Shanghai remains favorable [compared with] other localities in China. Shanghai's total industrial output value this year is expected to increase by 3 percent as compared with last year. There are marked increases in the production of consumer goods. In heavy industry, we have readjusted the service orientation and the product mix. Metallurgical, chemical building material and other industrial departments have offered definite contributions to the supply of raw materials and equipment for the production of consumer goods. Shanghai's trade situation is also good this year in both domestic consumption and export. From January to October the total value of daily necessities and industrial products shipped out of Shanghai to various localities throughout the country has reached 9.2 billion yuan, marking an increase of 6.3 percent as compared with the same period last year.

Liu Nianzhi, NPC deputy and vice chairman of the All-China Federation of Industry and Commerce, said: In the past, I studied capitalist economics abroad. Despite the fact that there are many economists holding doctoral degrees in economics and many foreign experts are invited to tackle problems, capitalist countries still cannot solve their economic problems. Our nation is large and has a population of one billion. In the past few years, we have had many problems because of the disproportions in our national economy. However, after we implemented the principle of making readjustments, our deficit dropped to this year's 2.7 billion yuan. This is not an easy task. Each of the 10 principles put forward by Premier Zhao from agriculture to industry and from science to culture and education takes the interests of the people into consideration.

The Shanghai deputies also put forward constructive suggestions on urban construction, developing agriculture, changing organizational structures, and on developing education, science and research work. Zhao Zukang, NPC deputy and deputy mayor

of Shanghai, suggested that it is necessary to correctly handle the relationships between urban construction, economic construction and social construction and to develop such relationships in a coordinated manner.

Liu Funian, NPC deputy and president of the East China Teachers University, and Rong Yiren, NPC deputy and vice chairman of the National CPPCC Committee, stressed the need to transform government structures. Rong Yiren said: If the government structures are not changed and government organs still dispute over trifles, it is impossible to transform the economic system. In my present work, the problem of government organs disputing over trifles gives me a number of headaches. Liu Funian said: To change the government structures, we should not only simplify the administration and reduce the staff, we must also change the situation by which the government departments responsible for the work rigidly control everything and exercise their authority in all events either major or minor.

Several deputies including Sun Daguang, Zhang Wenyu and Su Buqing expressed their views on the fact that there are many scientific research institutes in China with scattered scientific and technical forces and not closely connected with education and production. On the basis of the fact that there are not enough scientists and technicians in factories and industrial enterprises while there are many scientists and technicians in the Academy of Sciences and various departments of the Science and Technology Commission for National Defense with some idle, Zhang Wenyu suggested that the scientists and technicians of the Academy of Sciences and the various departments of the Science and Technology Commission for National Defense be linked to those in factories, enterprises and institutions of higher learning. Su Buqing also suggested that universities set up a 4-year system and a 2-year system to train people of all types. College students who have graduated from the 2-year colleges can be generally assigned to work in factories in order to raise the technical level and production efficiency of an enterprise. They can also be assigned to teach in middle schools.

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NATIONAL POLICY AND ISSUES

HUNAN'S MAO ZHIYONG HAILS CCP CENTRAL COMMITTEE

OW091223 Beijing XINHUA Domestic Service in Chinese 1751 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--During panel discussions, the Hunan provincial delegation attending the fourth session of the Fifth NPC discussed Premier Zhao Ziyang's report on the work of the government.

They unanimously held: The report has summed up the present excellent economic situation, predicted the bright future of China's economic development and clearly pointed out the orientation and the way for our future efforts. It is unadorned, comprehensive and is with depth and insight, giving people great inspiration and education.

Mao Zhiyong, first secretary of the Hunan Provincial CCP Committee and deputy to the NPC, said: The excellent economic situation shows that the important policy decision made by the Party Central Committee and the State Council on achieving further economic readjustment and political stability is completely correct. It shows that the broad masses of people and cadres of various nationalities throughout the country highly trust the Party Central Committee and the State Council, that they have made strenuous efforts to implement the important policy decision of the Party Central Committee. It shows that the socialist system in China is incomparably superior, that it is entirely possible to accomplish the goal of the four modernizations step by step and stage by stage, and that any pessimism, disappointment and lack of confidence are groundless.

The deputies unanimously supported the 10 principles for economic construction set forth by Premier Zhao in his report.

While reviewing the excellent situation, the deputies also made some constructive suggestions.

Zhou Minghong and Chen Guoda said: China is not paying as much attention to intellectual development as the economically developed countries do. This is unwise and a very big mistake. The government should do its utmost to invest more money in educational undertaking and intellectual development.

Tang Lijun, Kuang Zeilan, Liao Xingchu, Tang Liqun and other deputies said: A new situation and new problems have occurred and the birth rate is rising after the government promulgated the new marriage law and implemented the system of

economic responsibility in the countryside. We hope that the government enacts the family planning law as soon as possible in order to use the law to control population increases. Otherwise, it is very hard to implement family planning.

NPC Deputy Wen Xinzhen said: Hunan is a land of non-ferrous metal and its mineral resources are a great value. However, these resources are not well protected as some peasants are doing unauthorized mining in mining districts and causing serious damage to mineral resources. According to a preliminary investigation by nine mining districts under six tungsten mines, usually there are 4,000 peasants entering the mining district to mine without authorization and the number will rise to 6,000 during slack farming seasons, outnumbering the mine workers there. Moreover, accidents constantly happen in those several mines, causing some 2,609 deaths in 1981. We suggest that the government enacts the mineral resources protection law as soon as possible. In the meantime, it is necessary to immediately take resolute administrative measures to save the mines.

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NATIONAL POLICY AND ISSUES

SHAANXI DEPUTIES DISCUSS ZHAO'S NPC REPORT

OW101125 Beijing XINHUA Domestic Service in Chinese 1316 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--Over the last few days, the Shaanxi provincial delegation attending the fourth session of the Fifth NPC seriously discussed Premier Zhao Ziyang's report on the work of the government. The deputies unanimously said they were greatly inspired after listening to the report. They held the discussion in connection with the economic readjustment and the delightful situation on various fronts in Shaanxi.

They held: Premier Zhao Ziyang's thesis that China's national economy has begun a steady development entirely conforms to reality. The guiding thought on making further readjustment set forth by the Party Central Committee is correct. The economic development is sound and the achievements are remarkable. Since the readjustment tasks are arduous and we have been distressed by serious natural disasters, it is very unusual that we have made such good achievements.

Deputy Yu Mingtao said: Continuous heavy rains resulted in bad floods in areas west of the Qinling and Bashan Mountains and in Hanzhong Prefecture in Shaanxi during the fall of 1981. With the kind attention of the Party Central Committee and the State Council, and under the leadership of the Provincial Party Committee and provincial government, the broad masses of cadres, CCP and CYL members and people in the flooded areas shared weal and woe in waging an indomitable struggle against the floods. They also persevered in restoring production and in relief work. Many leading cadres who braved danger and provided good leadership and many heroic model persons who disregarded their own safety to save other's lives and protect state and collective property emerged. The PLA members advanced the glorious tradition of supporting the government and cherishing the people. They raced with time to save people's lives and property and repair highways, railroads, dams and unsafe sections of river dikes. They also helped to restore the electric power supply and communications and to maintain social order. The people praise and love them for their important contributions. The struggle to combat floods and provide disaster relief shows that the party organizations at all levels are strong in fighting power and that the great majority of cadres and CCP and CYL members can stand the test. It also fully shows the superiority of socialism.

During panel discussions, the deputies warmly discussed the 10 principles for future economic construction.

They held: The 10 principles suit China's situation and show the spirit of seeking truth from facts, stressing efficiency, acting according to our capabilities and working hard. If we follow them, we surely can accomplish the four modernizations step by step and stage by stage.

While happily reviewing the situation and discussing the principles, the deputies also made some comments and suggestions on questions concerning industrial readjustment, agricultural production and correction of unhealthy tendencies.

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NATIONAL POLICY AND ISSUES

HEBEI DEPUTIES ENDORSE ZHAO'S NPC REPORT

OW091039 Beijing XINHUA Domestic Service in Chinese 1637 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--The 122 deputies from Hebei Province attending the fourth session of the Fifth NPC have wholeheartedly endorsed Premier Zhao's report on the government's work. They pointed out that the report has correctly analyzed the current economic situation, incisively summed up the experience in economic construction and explicitly put forth the 10 principles and expounded the prospects for economic development. The report is completely in line with the actual condition in China and coincides with the people's aspirations and demands.

During the course of discussion, the deputies made some suggestions:

1. It is necessary to take resolute measures to check the unhealthy tendency in literary and art propaganda work.

Deputy Wang Jian said: The Party Central Committee and State Council have time and again called for launching the "five stresses and four beauties" campaign, actively learning from Lei Feng and educating the young people with socialist and communist ethics, social values and attitude toward physical labor. However, some people in the literary and art circles have not followed the central authorities' policy on creative works and have acted exactly the opposite. Some works contain evil in both content and form.

2. It is necessary to strengthen the building of the contingent of political and judicial personnel and learn to use legal means to maintain economic order.

Deputy Han Bangju said: Of late, various evil practices and crimes have become rampant in economic life. In safeguarding the socialist material civilization and in flourishing the socialist spiritual civilization, we must strengthen the building of the contingent of political and judicial personnel and learn to use legal means to maintain economic order. It is imperative that we step up the work on economic legislation. Because of inadequate economic laws we are still using the regulations regarding the punishment of embezzlers, which were adopted in the 1950's, in handling economic crimes. Many of the regulations are out-of-date. The organization of forces to speedily formulate economic rules and regulations is urgently needed.

3. It is necessary to streamline organs, overcome bureaucracy and change the cadres' work style.

Deputy Han Rongji said: As Premier Zhao pointed out in his report, bureaucracy in our current political life and economic administration is a serious obstacle to taking a new road in the development of the national economy and to building the four modernizations. The State Council has decided to start the reform in the departments under the State Council and instructed them to complete the reform within a specified time in order to set an example for local governments at various levels. This is an important question and must be tackled without delay.

I believe that in order to successfully solve this question, it is necessary to, first of all, continue to criticize the "leftist" line, eliminate the chaos and restore the order and effectively reduce the size of government organs in combination with the work to readjust leading bodies. Second, provincial government must emulate the central authorities in playing the exemplary role for prefectural and county governments. Third, it is necessary to make adequate arrangements for veteran cadres and enforce the cadres retirement system. Fourth, it is necessary to formulate a national "organization law" for streamlining and unifying administrative organs.

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NATIONAL POLICY AND ISSUES

XIZANG ALI PREFECTURE IMPLEMENTS WORK INSTRUCTION

HK081356 Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Dec 81

[Text] The party and government cadres of Ali Prefecture have conscientiously studied and implemented the regional CCP Committee's instruction on work in Ali Prefecture and pledged to unify their thinking, brace themselves and promote work in all fields.

After the regional CCP Committee's instructions on work in Ali Prefecture were passed down, the Ali Prefectural CCP Committee immediately called an enlarged Standing Committee meeting. Comrades attending the meeting studied and discussed the regional CCP Committee's instruction. They enthusiastically said: The eight-point instruction of the regional CCP Committee will be the embodiment, in Ali Prefecture, of the line of the 3d plenary session of the 11th CCP Central Committee and of the Central Committee's instructions concerning work in Xizang. It is a very important document which will determine Ali Prefecture's future efforts to alleviate poverty and bring about prosperity and will guide work in the whole of Ali Prefecture. It conforms completely with the actual conditions in Ali Prefecture.

They unanimously expressed: Through study and implementation, we must further eliminate leftist mistakes, emancipate our minds, unify thinking, brace ourselves and carry out the important instructions of the Central Committee on work in Xizang and the instruction of the regional CCP Committee on work in our prefecture in a down-to-earth manner. We must resolutely implement the new economic policies in order to bring about a big production increase in animal husbandry and agriculture in the whole prefecture, a substantial improvement in the people's livelihood and a fundamental change in the state of poverty and backwardness. We must strive for successes in satisfying the needs of the people of Ali Prefecture and make greater contributions to the state.

On 21 November, the Ali Prefectural CCP Committee held a rally in Shiquanhe. The rally was attended by party and government officials, army men and civilians. At the rally, Comrade (Miao Shiqing), secretary of the Prefectural CCP Committee, transmitted the regional CCP Committee's instruction on work in Ali Prefecture. On behalf of the Prefectural CCP Committee and the prefectural administrative office, he also called upon the cadres, staff and workers and masses of peasants and herdsmen to actively go into action and whip up a great upsurge in studying, publicizing and implementing the instruction of the regional CCP Committee.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

INDIVIDUAL ECONOMY CONSIDERED NECESSARY IN CITIES, TOWNS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981 pp 29-34

[Article by Xi Guizhen [1153 2710 3791] and Yang Xian [2799 8300]: "On the Objective Necessity and Nature of Individual Economy in Cities and Towns"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, individual economy has been rapidly reactivated and developed in the cities and towns of our country. By the end of May 1981, 4,015 households and 4,306 persons in Beijing municipality had already obtained business licenses for individual industrial or commercial activities. The number of these households is 71 percent more than that by the end of 1980, and even exceeds that of 1957. From this, we can anticipate further development of individual economy in the near future.

Why should there be still individual economy on the socialist great soil of our country? What is the nature of individual economy? Will it breed capitalism? If we cannot find scientific answers to these questions, it will be difficult for us to handle individual economy in cities and towns properly.

Existence of Individual Economy in Cities and Towns Determined by Present Productive Forces in Society

Since the basic completion of the socialist transformation of private ownership of the means of production in our country, individual economy in cities and towns has taken a tortuous path, and for quite a long time people have looked down on it as a "heresy" which socialism could not tolerate, or as a "capitalist tail" to be proscribed. Yet despite its setbacks, individual economy has not been "exterminated" after all. Like the sturdy grass on the mountain cliff, it continues to flourish. This clearly shows that when the socialist economic system of public ownership has been completely established and remains predominant, the existence of individual economy is still an objective necessity. To illustrate this point according to the law of the correspondence of production relations to the characteristics of the productive forces, it is necessary for us to start from the material foundation of a socialist society.

As we all know, in the socialist society envisaged by Marx and Engels, individual economy does not exist, and there should be only one single system of social ownership in the whole society. Laborers are directly integrated with the means of production in the society so that everyone should be an owner of the means of

production and every laborer should have equal rights and responsibilities in the use of public-owned means of production. Unemployment would be unheard of, and social products are to be distributed under a unified plan throughout the society. Actual developments have gone beyond the expectation of Marx and Engels, because victory for socialist revolution was first won in a country with a backward capitalist economy. Building socialism in such a country encountered many extraordinary and complex problems and difficulties which Marx and Engels had not anticipated. When victory for the revolution was won in our country, the development of productive forces and the socialization of production were at a very low level, and small-scale production was still preponderant. It was therefore impossible to set up a single system of social ownership for the entire society, and in addition to the coexistence of the system of collective ownership and the socialist system of ownership by the whole people, there is also individual economy.

Individual economy exists in the cities and towns of a socialist society because the laborers are not yet completely integrated with the means of production within the scope of the economic system of public ownership, which is restricted by the level of productive forces. Under the socialist system, labor is a means of livelihood, and in connection with labor, there are such questions as material benefits, equal remuneration for equal amounts of labor, and "he who does not work shall not eat either." Laborers must have the means of production to work with. Marx clearly pointed out: "Whatever the social form of production, laborers and means of production always remain factors of it. But in a state of separation from each other, either of these factors can be such only potentially. For production to go on at all, they must unite."¹ It is beyond doubt that in socialism, there must be sufficient means of production before all the laborers can have equal rights and responsibilities in work. When the socialist economy system of public ownership has been set up and remains preponderant, the laborers working in state-run enterprises or collective enterprises basically symbolize the integration of laborers and the means of production. However, because the material and technical foundations for the socialist system of public ownership at this stage are still weak, it is not yet possible for all laborers to become integrated with the means of production through the socialist economic system of public ownership, and a large number of people are unemployed. Although the constitution stipulates that every laborer has the right to work, such a stipulation cannot be carried out under the socialist economic system of public ownership in the near future because of the restrictions of the low level of social productive forces. In this case, the unemployed naturally have to find their own means of livelihood by acquiring the means of production with self-raised funds and to work under the system of individual ownership. Such is the innate source of vitality for individual economy which cannot be "exterminated" in cities and towns.

Another condition for the existence of individual economy in cities and towns is that the socialist economy system of public ownership is not yet powerful enough to permeate the entire social economic life, and there are still many "empty spaces" left.

Individual economy in cities and towns can take many forms, such as peddling along the streets and lanes, door-to-door delivery, and so forth, according to the consumers' requirements. Repairing shoes and bicycles in the streets, repairing furniture, radio sets and TV sets in the customers' homes, and so forth, are

services rarely, or never, offered by the state-run or collective enterprises. These services, therefore, play a positive role in filling the gaps left by the economic system of public ownership at least for the time being. For example, two retired tailors in Haiding District of Beijing municipality continued their profession at home. Their work was good and prompt. A young couple were planning a travel wedding, and the wedding gown was completed in 3 days. These tailors thus won public approbation. Now, they are so busy with their work on hand that they dare not publicly display their signboard. Again, in the remote area of Beiwu of Yuquanshan in Haiding District, there was no state-run or collective restaurant, and an individual-run restaurant began to operate. Its business was so brisk that orders for its deep-fried dough cakes had to be placed 1 day ahead. The supplementary role of individual economy for the economic system of public ownership is an indication that its economic form is appropriate for our productive forces at their present stage of development.

We can imagine that individual economy will continue to play this supplementary role even though the total social productive forces develop to a higher level, and the socialist economic system of public ownership greatly expands with a firm material and technological foundation. By that time, individual economy may be reduced or even eliminated in some spheres, but it may also develop and become more widespread in other spheres. The reason is that in certain forms of economic life, the nature of small unrelated repair jobs, small service trades, and the procurement of sundry mountain products and native products creates the need for small-scale or even individual business. Only thus can the various wants of consumers be satisfied. Along with the development of productive forces and the progress of socialization in production, the standard of specialization and division of work in industry will also be further raised, and some large industrial enterprises may assign to individual laborers the tasks of producing small quantities of accessories or spare parts for their products. The widespread existence of individual mechanized family industry and individual chicken farms in certain economically advanced countries nowadays is an eloquent proof of this theory.

From this, we can see that for a fairly long time to come in our country, the existence and appropriate development of individual economy in cities and towns is unavoidable. This is determined by the state of development of social productive forces and is in line with objective laws which are independent of the wishes of people. If individual economy is arbitrarily abolished even though conditions are not yet ready, it will not only cause great inconvenience to people's economic life but will also be detrimental to social stability and unity and to the development of the socialist economy as a whole.

Individual Economy as a Subordinate and Supplement to Socialist Economic System of Public Ownership in Cities and Towns of Socialist Society

What is the character of individual economy in cities and towns under the socialist system? Some people hold that the character of individual economy is determined by the character of the dominating economy to which individual economy owes its existence in society. Under the capitalist system, it has a capitalist character, and under a socialist system, it has a socialist character. This view deserves discussion.

To correctly understand the character of individual economy in cities and towns, it is our opinion that we should first grasp its inherent basic characteristics. Individual economy in cities and towns is a kind of small commodity economy. On the one hand, the means of production and the products belong to the individuals; on the other hand, individual economy is based on individual labor and does not call for exploitation of other people. Besides working personally, the individuals in some cases have to train their apprentices and such training is also a form of labor. Thus the part of their remuneration in excess of the reward for their direct labor is for the production techniques which they have passed on to their apprentices. The products and labor of individual economy are intended for the acquisition of the means of livelihood in exchange. Throughout the long, long history of mankind, individual economy has existed in the slave society, the feudal society, the capitalist society and the socialist society. As an economic form, however, it has never been in a dominant position; it has survived only as an appendage to the dominant economic form.

In a capitalist society, individual economy is subordinate to capitalist economy, but we cannot come to the conclusion that its character is capitalist simply on this account. The special features of capitalist economy are the capitalists' private ownership of the means of production and the exploitation of the surplus value produced by the workers. Individual laborers have no hired hands and do not exploit others. Since they live on the fruits of their own labor, how can there be any capitalist character to speak of? It is true that according to the law of value and the rules of competition, individual economy may give rise to polarization. However, before the polarization, the small-scale producers are still laborers and not capitalists. If we say that individual economy in a capitalist society has a capitalist character because of its subordination to capitalist economy, then, according to the same line of reasoning, the individual economy in a slave society has the character of slave economy, and individual economy in a feudal society has the nature of feudal economy. This kind of logic is absurd.

Then what is the character of individual economy in the cities and towns of a socialist society? Can we call it socialist? One of the features of socialist economy is the system of public ownership of the means of production. When we want to determine whether an economic system is socialist, we have to see whether it has the feature of public ownership, whether the laborers work with public means of production, and whether the fruits of labor are shared by all laboring people. As mentioned before, individual economy under the socialist system is an economic system of small private ownership, and the fruits of labor are at the disposal of the laboring individuals. Apparently, it does not have a socialist character.

Individual economy in the cities and towns of our country is an economic form under conditions of a predominant socialist economy of public ownership. Its business activities are subject to the influence and restrictions of socialist economic laws. That is why it is different from the individual economy of the past. Marx said: "In every social formation, there is a specific kind of production which predominates over all the others and whose relations therefore determine their rank and influence. It is a general illuminant tingeing all other colors and modifying their specific features."² In a capitalist society, individual economy is subject to the influence and restrictions of capitalist economic laws,

and under conditions of ruthless competition and anarchy, a small number of small-scale producers may rise as capitalists, but the vast majority of them may sink to the level of hired hands. Although the socialist economy of public ownership was established before the socialist transformation of the system of private ownership of the means of production in our country, capitalism still remained extensively in urban and rural areas, and individual economy found itself at a crossroad. It could either develop into capitalist economy or become socialist economy through the cooperative movement. When the socialist transformation was basically completed, however, the brilliant illumination of the socialist economic system of public ownership gave individual economy in cities and towns the following main features:

First, since individual economy could survive and develop through its subordination to the socialist economic system of public ownership, this economic system became the base of its activities. Under existing conditions in our country, the equipment, tools and raw materials required by individual industrial or commercial households are mainly supplied by the economic system of public ownership, and only a small part of them can come from village fairs. The majority of them are directly sold to the consumers, but a fairly large portion of them are procured by state-run and collective commerce as a supplement to, and a component of, the socialist economic system of public ownership.

Second, there are restrictions on the sphere of individual economic activities. Although individual households engaged in industry and commerce, as independent producers of commodities, are in many ways connected with the free market, they are nevertheless restricted by state planning. Through economic means or the necessary administrative methods, such as the formulation of policies and decrees, the relevant state departments functioning under the system of public ownership can strengthen their leadership over these individual households, keep their business activities within bounds, and direct them into the channels of socialist economic development.

Furthermore, the class status of individual laborers has also undergone a great change. At present, most of those engaged in individual industry and commerce are unemployed youths, unorganized laborers and a small number of retired workers. The overwhelming majority of them are law-abiding and support the party and socialism.

In sum, individual economy in the cities and towns of a socialist society are dependent on the socialist economic system of public ownership, as a subordinate and supplement to the socialist economy.

Here, it should also be mentioned that the subordination of individual economy to the socialist economic system of public ownership refers only to the subordinate position it occupies in the national economy. This does not imply that the relationship between the state-run enterprises and the individual industrial or commercial households is one between the ruler and the ruled. Instead, their relationship should be one of mutual cooperation. Since both individual economy in the cities and towns and the socialist economic system of public ownership are commodity economy, and the economic relationship between them is through the medium of commodity, the cooperation between them is naturally manifested in the

exchange of equal values as well as competition. Even though individual economy in cities and towns is subordinated to the socialist economic system of public ownership, the individual laborers, as small commodity producers, can act as independent commodity producers in their dealings with state-run enterprises or collective enterprises. In supplying equipment and raw materials to the small commodity producers and in procuring products from them, the public-run enterprise should uphold the principle of exchange of equal value. Since the relationship between individual industrial or commercial households and the public-run enterprises is one of commodity relationship, there is naturally competition between them. The workers and staff members of certain public-run enterprises have looked upon the reactivated and developed individual industrial or commercial households as their business rivals and have withheld the supply of raw materials to the individual households, destroyed their vending stalls, ransacked their homes, torn down their shop fronts, and resorted to various illegal acts in an attempt to wipe out their competition by forcible means. The relationship of equal rights and benefits was turned into a relationship between "monarch and vassals." This is not only a violation of the objective economic law, but also a deviation from the character of socialist economic system of public ownership. The public-run enterprises should work hard to improve their own business management and to strengthen their own competitive power through the production of low-price and fine-quality goods as well as offering better services. These enterprises and the individual industrial or commercial households should learn from and encourage each other in a common effort to bring prosperity to the socialist economy and to satisfy the wants of the people.

Impossibility of Individual Economy in Cities and Towns Under the Socialist System Breeding Capitalism

When the socialist transformation of the system of private ownership of the means of production has been basically completed, will the existence and development of individual economy to a certain extent breed capitalism? This is another important question in handling individual economy in cities and towns.

In his book "Economic Problems of Socialism in the USSR," Stalin said: "Commodity production must not be regarded as something sufficient unto itself, something independent of the surrounding economic conditions."³ Since the birth of small commodity economy in the later stage of the primitive society, there were no capitalist production relations throughout the long periods of slave society and feudal society. This was determined by the economic conditions of the society. Small commodity economy at that time continued to bring about polarization; however, because of the dominant position of the natural economy, some small producers who had gone bankrupt sank down to the level of slaves or serfs, but not hired hands, while those with money in hand could only become slave owners or landlords, but not capitalists of the present age. It was not until the late feudal society that, on the basis of the expansion of commodity production and commodity exchange, two conditions were available for the birth of capitalist production relations. The two conditions were: first, the large concentration of money and the means of production in the hands of a small number of people; and second, the emergence of a large number of people owning nothing but personal freedom. It was only under these conditions that small commodity production could be transformed into capitalist production, and that the capitalist production relations could make their appearance. As Stalin said: "Commodity production leads to capitalism only if

there is private ownership of the means of production; if labor power appears in the market as a commodity which can be bought by the capitalist and exploited in the process of production; and if, consequently, the system of exploitation of wage earners by capitalists exists in the country."⁴ Obviously, such conditions are incomplete in a socialist society. In our country at present, no land can be freely sold; the majority of production means required for the individual economy come from the socialist economic system of public ownership; and its business activities are generally conducted within the scope previously prescribed by the state, with neither addition nor alterations permitted. The conditions of production and the business results among the individual industrial or commercial households may be different and may bring about a difference in their incomes; however, under the predominance of the socialist economic system of public ownership and given the series of party and government policies, decrees and the necessary administrative measures, it is generally impossible for huge amounts of money to be accumulated by a small number of individuals, and, at the same time, they cannot buy machinery and equipment at will. Particularly in a socialist society, labor power is no longer a commodity, while the labor rights of workers and peasants are protected by the state, so that they can never become hired laborers. Under such circumstances, money cannot be turned into capital. As we can see, the socialist system does not provide the conditions for the birth of capitalist economy, and individual economy in cities and towns generally cannot develop into capitalism.

In an attempt to prove that small-scale production in a socialist society can produce polarization and then breed capitalism, some comrades have quoted this passage from Lenin: "Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a large scale." This passage was quoted from Lenin's "'Left-Wing' Communism, an Infantile Disorder" written in April-May 1920. At that time, the Soviet Union was in the transitional period from capitalism to socialism, and the small-scale producers, like a huge ocean, had not been organized and were at a crossroad of capitalism and socialism. Under these special historical conditions, Lenin's statement was undoubtedly correct. Today, in our country, the socialist transformation has already been completed, and conditions in various respects are different from those of the Soviet Union at that time. We would be making a far-fetched comparison if we arbitrarily applied the concept from Lenin to the small-scale producers when the socialist system of public ownership remains predominant.

Of course, we do not mean to deny that individual economy in cities and towns is not without certain elements of spontaneity and rashness. Small commodity is now an antiquity in a socialist society, while the labor of small commodity producers is, on the one hand, social labor carried out for the production (of circulation) of commodities for the society under conditions of social division of labor, and on the other hand, private labor carried out as a means of livelihood under conditions of private ownership on a small scale. The contradiction between social labor and private labor is still manifested as the contradiction between the use value and the value of commodities. The business activities of small-scale producers are largely governed by the law of value, and therefore inevitably have a spontaneous capitalist tendency, which is manifested in real life in many forms, such as setting up vending stalls without licenses, cheating in work and materials, adulteration of inferior materials, using short weights and measures, and increasing prices at will. These practices, if allowed to continue, may possibly give birth to capitalism. We must be soberly aware of this situation and adopt forceful

measures to check the spontaneity. For example, we can control the scope and orientation of their business through such channels as material supplies and bank credits; proscribe unlicensed vending stalls through administrative methods; and attack and apply sanctions on speculation, profiteering and other illegal activities through legislation, in order that individual economy in cities and towns will develop along socialist economic channels and play a more active role.

At present, we should continue to eliminate the "leftist" poison from the individual economy in cities and towns; give it the necessary support through loans, taxation, and material supplies; protect the legitimate rights, including the property and personal freedom, of individual industrial and commercial households from infringement; raise the political and social status of these households; and see to it that these people and their sons and daughters are not unfairly discriminated against in applying for admission to the party and the league, in joining the army and in entering a higher school. This will stimulate the business activism in individual economy in cities and towns and help it develop properly.

FOOTNOTES

1. Marx, "Das Kapital," Vol 2, p 44.
2. Marx, "Preface and Introduction to a Contribution to the Critique of Political Economy," "Selected Works of Marx and Engels," Vol 2, p 109.
3. Stalin, "Economic Problems of Socialism in the USSR," p 11.
4. Stalin, "Economic Problems of Socialism in the USSR," pp 10-11.

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NATIONAL POLICY AND ISSUES

GEOLOGICAL WORK MUST BE IMPROVED FOR BETTER ECONOMIC RESULTS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981 pp 44-47

[Article by Jiang Weilin [1203 3634 7027]: "How To Improve Economic Results in Geological Work"]

[Text] Stress on economic results should be the focus of socialist social economic management. Geological departments are the forerunners in national economy, entrusted with the task of underground exploration. In geology, the discovery of good or bad mines has a very important bearing on national economic development. Successful geological work will provide fairly dependable mineral resources of good quality and evenly distributed over different areas. The work should also be of low cost and able to provide worthwhile geological data. In short, it should help accelerate the four modernizations. If the reverse is the case, it will be a waste of state construction funds and become a "stumbling block" in the path of the four modernizations.

China is one of the few countries in the world with a fairly complete assortment of minerals, and Yunnan is one of the provinces with fairly good geological mineralization conditions and a fairly complete assortment of minerals, including nonferrous metal, ferrous metal, coal, phosphorus, asbestine, platinum and palladium, all with fairly rich deposits. More than 100 different kinds of useful minerals have been discovered and the deposits of 74 of them have been verified. The verified deposits of lead, zinc, tin and asbestine rank first among all provinces and regions in the country, and those of copper, platinum, palladium and phosphorus also occupy the upper ranks, thus basically meeting the needs of national construction.

Do these advantages indicate good economic results in geological work? The answer is "no." Because of the "leftist" mistakes, particularly the interference and sabotage by Lin Biao and the "gang of four" over a long time, geological work has not been carried out according to objective laws, and there is a tendency to neglect economic results in geological work and in discovering mines. This is a fatal weakness in geological work. Poor economic results in geological work or in discovering mines are mainly shown in the following ways: 1) If we compare the expenditure of labor (including living labor and materialized labor) and the labor time with the results in geological work, there is a problem of heavy labor consumption and long construction periods. For example, even in prospecting the iron and copper deposits in the Dahong Mountain of Xinning County, Yunnan, which has

yielded fairly good results, more than 1,000 persons were mobilized, some 40 million yuan was spent, and 16 years were required before detailed prospecting and detailed survey, culminating in a preliminary prospecting report, could be accomplished. In addition to repeated setbacks encountered in other mining sites, there have also been instances of lack of coordination, vying for ore fields and duplication of work, all causing great waste. 2) Judging from the results of geological work in the light of exploitation and utilization by the state, we see that the number of discovered mines ready for state exploitation and utilization is quite small, while the number of those which have to be left idle and unused is quite large. According to statistics, in Yunnan regarding 14 principal mineral products, including coal, iron, tin, copper, lead and zinc, reports have already been submitted on 505 mining sites with the amount of deposits verified. Up to now, only 199, or approximately 39 percent, of them has been exploited and utilized. In terms of verified amounts, the utilization rate is only 37 percent, and more than 60 percent of the verified deposits and ore fields cannot be exploited and utilized for some time to come.

According to historical experience, stress on the economic results in geological work should be based on a study of the relationship between input and output (consumption and results); the relationship between work intensity and a shortened work period; and the relationship between results in geological work and the exploitation and utilization to be carried out. Failure to study these relationships has been one of the important causes of our poor economic results for a long time.

To improve the economic results in geological work, we must earnestly study and solve the following problems:

First, the relationship between state construction requirements and the observance of geological laws should be correctly handled. Geological departments have to serve national economic development and should regard the requirements of national economic development as their starting point as well as end result. This is decided by the socialist basic economic laws and is a concrete embodiment of the policy of determining production according to marketing (demand) among the geological departments. Furthermore, we must be aware that mineral resources, as objective things, are subject to the laws of geology in both time and space. The role of geological work is only to explore and understand them; it is incapable of transforming or changing their material forms of existence. To obtain the expected results in geological work, we must strictly observe the laws of geology.

The requirements of the state and the observance of geological laws should be well coordinated, because none of them can be neglected. For this reason, we must divide the entire process of geological work into advanced and late stages according to its different characteristics and special features, and pay attention to both stages. Regional geological survey, scanning of materials, general mining survey, demarcation of mineralization zones and forecast of long-lasting deposits belong to the advanced stage of geological work. According to its special features, this stage is basically one of research and forecasting, and no mature data can be offered directly for exploitation and utilization. It calls for intensive intellectuals and technical effort, but no heavy investment and labor for "saturated" engineering. At this stage, therefore, greater emphasis should be laid on the observance of

geological laws, and the state can provide only general guidance instead of setting any tight restrictions. Prospecting, especially detailed prospecting, belongs to the late stage of geological work. The special feature of this stage is that there will be mature data to be used directly for exploitation and utilization, and, relatively speaking, intensive use of funds and labor is required. Therefore, the work should be carried out selectively under necessary state restrictions, and mining zones under prospecting, particularly detailed prospecting, should have the following requisites: 1) Ores of relatively good and up-to-standard quality for selection and smelting; 2) state plan for exploitation including the assignment of a design unit; 3) proven economic value after feasibility study; and 4) reasonable demand on the extent and intensity of prospecting and the guaranteed number of years, based on the exploitation requirements. If these four requisites are in order, it will be possible for the huge amounts of funds and labor expended in geological work to be recovered fairly quickly in the form of investment returns. In the course of work, of course, the procedures of geological prospecting should also be strictly followed.

Second, the guiding thought with geological work and mine discovery as the central task should be upheld and the relationship between means and end should be properly handled. The end of geological work is to clarify the geological situation, to ascertain the mineral resources, and to meet the requirements of state construction. The methods used in geological work, such as geophysics and geochemistry; the use of drills, tunnels, wells and pits, remote sensing and other technical methods for analysis, appraisal, and comprehensive research are all means to the end. For many years, the relationship between means and end has been reversed in the practice of geological work. As a result of the confusion between means and end, certain erroneous slogans, such as "taking drilling as the key link," "taking drilling as the dragon head" and so forth, gained currency. In the plans handed down to the lower levels, the footage of drilling instead of the results in geological work was used as an index of investment returns. For this reason, there was frequent bickering resulting from the attempt to increase the workload regardless of the economic results. In evaluating a plan, the drilling footage again was used as an index. A unit having fulfilled or overfulfilled the quota of drilling was considered as having fulfilled or overfulfilled the plan. If the end of geological work was attained with a reduced drilling footage, this performance was not considered as being in line with the practice of economy, but on the contrary a failure to complete the plan, for which even enterprise funds might be withheld. There was a complete set of plans and indexes for the evaluation of the means, but not for the end. This reversal of means and end brought about serious consequences, such as blindly spreading out the drilling points and one-sidedly striving for increased drilling footage. These problems were attributed to factors of understanding, work and system, but mainly to the system.

In view of these problems, since 1979 the Yunnan Provincial Geological Bureau has gradually reorganized the present geological contingent--formerly run as a package deal--in accordance with the principle of specialization and coordination, by separating the work of geological survey from that of drilling and construction, to suit their different characteristics and features. Professional geological teams are organized according to the conditions of geological resources, to undertake the tasks of investigations and study in geology and mineral resources, and to submit various geological reports to the state. For prospecting, special prospecting engineering teams are formed to operate as enterprises. These teams will

undertake the jobs of drilling, tunneling and other construction tasks given them by the geological teams, practice enterprise management and independent accounting, and assume responsibility for profits and losses. Through these preliminary reforms, the geological teams will be able to concentrate their efforts on the discovery of mines, while the prospecting teams can likewise devote their entire energy to engineering management and research. This will put an end to the internal disputes over means and end in geological work and encourage careful calculation and strict budgeting in the use of manpower for the discovery of mines as an end in geological work. Unnecessary drilling will then be reduced by a wide margin.

Although a clear goal has been set in geological work, there are still other problems--such as how to manage and evaluate geological work in the light of its strong points in exploration and scientific research so that it will bring about better economic results--requiring further study and solution.

Third, the relationship between the state, the collective and the individual economic benefits should be correctly handled in accordance with the principle of material benefits. Material benefits are also economic benefits. However, the relations of economic benefits are the foundation of all social relations, since no society whatsoever cannot be without the element of individual material benefits. Because of the "leftist" mistakes for many years, stress was laid only on the benefits of the state, while collective and individual benefits were dismissed in both theory and practice. Lin Biao and the "gang of four" positively rejected the principle behind material benefits and brought about the disintegration of the economic benefits of the broad masses of cadres and people, the interests of the state and the business results of enterprises. Thus socialist enterprises lost their innate driving force. This is a serious lesson for us.

Since 1979, when the geological contingent was reorganized according to the principle of specialization and coordination, the Yunnan Provincial Geological Bureau has proceeded with the reform in the system and methods of economic management, and has carried out preliminary experiments with a series of new systems and methods, including the systems of design budgets, economic contracts, profit-sharing, sharing of savings from the practice of economy, opening new avenues of resources, sharing net benefits, setting prices for prospecting engineering according to the quality of work, payment for the use of fixed assets and circulating funds and others, totaling 12 new systems, on the basis of which appropriate funds were set up for the development of production by enterprises and for the workers' fringe benefits and bonuses. In a nutshell, all these measures of reform were based on an organic integration of the economic benefits of the state, the collective and the individual, and the integration of the worker's economic benefits with the unit's business results according to the principle of material benefits. By this means, the leadership of the enterprise and the broad masses of workers will be concerned with the enterprise's business results not only for political reasons, but also out of consideration for their own economic benefits. This has helped enliven microeconomics under the guidance of macroeconomics, and thus stimulated the innate driving force of the enterprises, so that everyone will be concerned with the management of finances, and eager to increase the sources of revenue and to practice economy. There is now a marked rise in various technical and economic indexes, and the quality and efficiency of various engineering jobs, the revenues and the savings from reduced consumption have all reached unprecedented levels. In 1980, compared with 1979--when the plans were fairly well carried out--the

efficiency of drilling platforms was raised by 31 percent and the rate of fine-quality holes was raised by 23.5 percent. Because of reduced production costs, the expenses on geological prospecting for the whole year were reduced by 2,008,700 yuan, twice the amount of saving in 1979. The amount of circulating funds used was also reduced by 19 percent, and as a result of increased avenues of revenue, the income in 1980 was 3.15 times that of 1979. Facts have thus proved that the principle of material benefits cannot be ignored. Any attack on or denunciation of this principle is unreasonable.

Of course, these measures of reform cannot be perfect at present, and the following tasks should be carried out for further improvement: 1) Immediate action should be taken on the work of designing in different phases, on the basis of which a budget should be worked out. This budget will serve as the principal criterion for calculating the share of profits to be used as bonuses. 2) A clear and easily understood index system should be set up after due study for evaluating the results of geological work. 3) A set of economic management methods should be worked out after careful study. These methods should be suitable for the index system for evaluating the economic results of geological work and capable of integrating the economic benefits of the state, the collective and the individual. Furthermore, in view of the exploratory and variable nature of geological work, some methods should also be devised for the distribution of economic benefits among the state, the collective and the individual in a way suitable for this exploratory and variable nature. If these problems are solved, it will be possible to achieve better economic results in geological work. 4) Forecasting and policy decisions must be carefully carried out in geological work. In the history of geology and geological work in Yunnan, incalculable damage has been caused by faulty policy decisions and other errors. We should take our lessons from this experience and strengthen our work in this respect. Forecasting and policy decisions, as a branch of science and technology for economic management, have their own specific substances, procedures and laws. For geological work, the forecasting and policy decisions should include the study of geological laws (including the study and forecasting of mineralization zones and their long-lasting deposits); the accumulation, study and analysis of historical data (including the accumulation, study and analysis of technical and economic data); the collection of economic data, the economic feasibility study in mineral deposits, the analysis and forecasting of the prospects of state exploitation and utilization, and the investigation, analysis and forecasting of social needs. Then on the basis of a comprehensive balance of past and future factors, forecasting and policy decisions should also include long-range and short-range plans and arrangements, study of the scope of manpower to be used and of various internal structures. In carrying out these tasks, we should fully utilize system theory, mathematical statistics, probability theory, numerical models, network technology, and other scientific and technical methods in order to work out not only quantitative but also qualitative comparative analyses, for the choice and correct decision of the policy decisionmakers.

In sum, forecasting and policy decisions are important factors which cannot be ignored. However, they also tax people's energy. If well done, they will be of great help in improving the economic results of geological work.

NATIONAL POLICY AND ISSUES

BRIEFS

HUBEI DEPUTIES DISCUSS NPC REPORT--Beijing, 7 Dec (XINHUA)--During panel discussions over the last few days, the Hubei provincial delegation attending the fourth session of the Fifth NPC discussed Premier Zhao Ziyang's report on the work of government. The deputies happily reviewed the excellent current situation, discussed the 10 principles for future economic construction and expressed their views on some real problems. While discussing the principles for future economic construction, the deputies emphasized the necessity to pay attention to the key issue of enhancing economic results. Deputies Zhang Xiulong and Lin Musen said: At present, waste is a very serious problem in many fields. The progress of all capital construction projects, big and small, is repeatedly delayed, constantly requiring additional funds. The central authorities have again and again called for an end to repetition in construction, but some localities and departments still continue to approve and build extraneous projects. In industry, management is poor and people only pay attention to output value and disregard quality and marketability of products. The deputies also expressed views on simplifying the administrative structure and stabilizing commodity prices. [Excerpts] [OW102335 Beijing XINHUA Domestic Service in Chinese 1822 GMT 7 Dec 81]

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ECONOMIC PLANNING

INPUT OUTPUT METHOD, USES EXPLAINED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 81
pp IX70-76

[Article by Chen Xikang [7115 6932 1660], Systems Institute, Chinese Academy of Sciences: "Input Output Method and Economic Work"]

[text] Summary

There are many kinds of mathematical methods and models in economies. The input output method is a fairly well-developed one, and a method that has found wide-ranging application in many countries. What is the input output method? By input we mean the consumption involved in doing an economic activity. In the production process, for example, the various raw and processed materials, supplementary materials, energy, machines, and equipment are all inputs to production activity. Output refers to the results from these economic activities. As a result of production activities, for example, a certain quantity of goods are derived, and these goods are the output. There is a definite quantitative regularity between input and output in these economic activities. For instance, in the case of most products, within a relatively short time the quantity of input per unit of output, i.e. the quantity of consumption of various input factors (raw and processed materials, energy, equipment, and manpower) per unit of product produced remains relatively stable. This is because in the case of most products, the numerous factors in the quantity of input that decide output per unit--things such as technological levels, management levels, and resource conditions--cannot undergo any fundamental change within a short period of time. In some units, quantity of input per unit of output may be inconsistent, but the changes have definite regularity. In agriculture, for instance, where because of the limitations of the amount of land, in order to produce a larger amount of farm products from the same amount of cultivated land, the input per unit of farm product of fertilizer, electric power, and diesel fuel steadily increases. For instance, in 1957 for every 10,000 jin of grain produced in China, approximately 92 jin of chemical fertilizer and 3.1 kilowatt hours of electric power were consumed. In 1965, approximately 378 jin of chemical fertilizer and 80 kilowatt hours of electricity were consumed. In 1970, approximately 549 jin of chemical fertilizer and 165 kilowatt hours of electricity were consumed, and in 1980, approximately 1,480 jin of chemical fertilizer and 402 kilowatt hours of electricity were consumed.

The input output method entails use of mathematical methods and electronic computers to study the quantitative relationships between input and output for various forms of economic activity. This method has a great number of advantages for the scientific planning, forecasting, and analysis of economic activities. This method was born during the 1930's in the United States. It was put forward in 1936 by American economist Lieanjiefu [phonetic] and was inspired and influenced by a national economic balance sheet for 1923/1924 published by the USSR. In 1936, Lieanjiefu published an article titled, "Quantitative Relationships Between Input and Output in the American Economic System." In 1941, he published a book titled, "Structure of the American Economy, 1919-1929," and in 1953, he published another book titled, "Study of the American Economic Structure." In these works, Lieanjiefu put forward input output method theories, and used statistical data on economic performance published in the United States to construct input output tables for the United States economy in 1919, 1929, and 1939.

During World War II, input output methods began to win serious attention. In 1944, the United States Bureau of Labor Statistics used the input output method to predict what changes would occur in the employment situation in the United States during December 1945 were World War II to end on 30 June 1945. Study was made at that time of the 1939 input output tables formulated by Lieanjiefu and others. Because this method was felt to be superior to traditional methods, following World War II, the Bureau of Labor Statistics in the United States Department of Labor, in cooperation with the United States Airforce, spent \$1.5 million and assembled between 50 and 75 people to compile an input output table for the United States economy in 1947. Subsequently, the United States compiled input output tables for 1958, 1963 and 1966.

During the 1950's, a mania for compiling input output tables developed in capitalist countries. Following America's lead, Western European countries and Japan first compiled input output tables. Next, developing countries, the USSR, and Eastern European countries also began to compile input output tables. Incomplete statistics show that in 1960 approximately 60 of the countries of the world had compiled input output tables. In 1979, approximately 90 countries compiled input output tables.

During the early 1960's, some scientific research organizations and institutions of higher learning in China began research in this regard. At that time, they mainly publicized, introduced and theoretically explored input output methods. In some enterprises, however, work was begun on the compilation of input output tables.

In 1974, at the instigation of the Systems Institute¹ of the Chinese Academy of Sciences, the National Statistical Commission and the State Statistical Bureau invited some units to begin to compile an input output table for China's national economy in 1973. This table was successfully completed in 1976. During the next several years, input output methods were applied to the study of national economic planning.

1. Formed from some Research Offices of the Former Institute of Mathematics

In June 1980, six scientists from the Systems Institute proposed to State Council leaders the compilation of new national economy input output tables, as well as the use of input output techniques in planning work. This suggestion met with the support of leadership comrades in the State Council, and now the units concerned are engaged in organizing its implementation.

In addition to national input output tables, the Shanxi Provincial Bureau of Statistics in cooperation with relevant units, is in process of compiling prefectural input output tables for Shanxi Province. The Academy of Chemical Industry Planning and Design of the Ministry of Chemical Industries has compiled input output tables for chemical industry units in 1978. The Anshan Steel Company and other enterprises have also compiled input output tables for their enterprises.

2. Basic Structure of Input Output Tables

Before applying input output methods to economic analysis and planning work, it is necessary first of all to compile an input and output table for a reporting period on the basis of the year's actual statistical data. The basic structure of an input output table is as follows:

Table 1. Input Output Table

Units: 100 million yuan

		In-	Agri-	Other	Total	In-	Con-	Total	Total
		dus-	cul-			vest-	sump-		
		try	ture			ment	tion		Pro-
Production Sector	1. Industry	1000	200	100	1300	400	300	700	2000
	2. Agriculture	200	100	50	350	50	600	650	1000
	3. Other	200	100		300	100	100	200	500
	Total	1400	400	150	1950	550	1000	1550	3500
	Fixed Assets Depreciation	60	20	20	100				
Newly Created Value	Labor Compensation	200	400	200	800				
	Social Net Earnings	340	180	130	650				
	Total	540	580	330	1450				
	Total Products	2000	1000	500	3500				

Table 1 is an input output flow table, or an input output table for short. For purposes of simplicity, the table contains only three sectors, namely industry, agriculture, and other sectors. An actual input output table includes several sectors or several hundred sectors. For instance, an American input output table for 1963 contained 367 sectors. A USSR output table in 1966 contained 110 sectors. A Japanese input output table for 1965 contained 156 sectors. China's 1973 input output table contained 61 sectors.

Looked at in terms of levels, this table shows the economic utility of products from each sector. The products of each sector may be divided into two major groupings on the basis of their economic utility, i.e. intermediate products and end products. Intermediate products are those products requiring further processing in the production field during the present period, items such as pig iron used in making steel, steel used in the manufacture of sewing machines, pig iron, timber, etc. These objects for labor, which are to be used in further production processes, looked at in terms of the overall society, are in an intermediate processing stage. They are materials in the process of manufacture or semi-manufactured goods, so they are called intermediate products. In Table 1, 130 billion yuan of the 200 billion yuan output value in the industrial sector is for intermediate products. Industrial products used in the industrial sector itself are worth 100 billion yuan; those used in the agricultural sector are worth 20 billion yuan; and those used in other sectors are worth 10 billion yuan. Agricultural products for use in the industrial sector are worth 20 billion yuan. This includes items such as cotton used for textiles, and sugar plants used for the crushing of sugar etc. Agricultural products for use in the agricultural sector itself are valued at 10 billion yuan. These include seeds, livestock feeds, etc. Agricultural products used in other production sectors are valued at 5 billion yuan. Agriculture's intermediate products total 35 billion yuan in value.

End products are those whose final processing has been completed in the production field during the present period, and are products that may be provided society for consumption and use. This includes consumption items used for the personal consumption of residents or consumption by society collectively, products used to augment storage and as national reserves, products used to increase fixed assets, and products used in net exports. In Table 1, end products in the industrial sector have a value of 70 billion yuan. End products in the agricultural sector have a value of 65 billion yuan.

The total of intermediate products and end products is equal to the grand total of all sectors. In Table 1, for the industrial sector, we have: $(1000 + 200 + 100) + 700 = 2000$ billion yuan. For the agricultural sector we have: $(200 + 100 + 50) + 650 = 1000$ billion yuan.

A look at the vertical direction of the input output table shows the value structure of products from each sector. The value structure of products may be divided into two large categories. The first category is the transferred value of embodied labor. This is formed from the means of production consumed in the goods' production process, and includes raw and processed materials, supplemental materials, and energy consumed, as well as depreciation of fixed assets. The second category is newly created value, which includes compensation for labor and various forms of social net earnings such as profits, taxes, and interest. In Table 1, the first column shows the value structure of products in the industrial sector. In the production of 200 billion yuan of industrial products, 100 billion yuan worth of products from the industrial sector itself were consumed; 20 billion yuan of products from the agricultural sector were consumed; and consumption of products from other sectors amounted to 20 billion yuan. Depreciation of fixed assets amounted to 6 billion yuan. The transferred

$$g_{11} = -\frac{x_{11}}{x_1} = -\frac{200}{2000} = -0.10$$

Table 2. Direct Consumption Coefficient Table

	<u>Industry</u>	<u>Agriculture</u>	<u>Other</u>
1. Industry	0.5	0.2	0.2
2. Agriculture	0.1	0.1	0.1
3. Other	0.1	0.1	0

$$X_{ij} = 0, X_{ij} \quad (i, j = 1, 2, \dots, n) \quad (4)$$
$$\begin{cases} \alpha_{11}\bar{\mathbf{x}}_1 + \alpha_{12}\bar{\mathbf{x}}_2 + \dots + \alpha_{1n}\bar{\mathbf{x}}_n + \bar{\mathbf{y}}_1 = \bar{\mathbf{x}}_1 \\ \alpha_{21}\bar{\mathbf{x}}_1 + \alpha_{22}\bar{\mathbf{x}}_2 + \dots + \alpha_{2n}\bar{\mathbf{x}}_n + \bar{\mathbf{y}}_2 = \bar{\mathbf{x}}_2 \\ \vdots \\ \alpha_{m1}\bar{\mathbf{x}}_1 + \alpha_{m2}\bar{\mathbf{x}}_2 + \dots + \alpha_{mn}\bar{\mathbf{x}}_n + \bar{\mathbf{y}}_m = \bar{\mathbf{x}}_m \end{cases} \quad (5)$$
$$\Delta X + Y = X \quad (6)$$
$$A = \begin{bmatrix} a_{11} & a_{12} & \dots & a_{1n} \\ a_{21} & a_{22} & \dots & a_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ a_{m1} & a_{m2} & \dots & a_{mn} \end{bmatrix}, \quad X = \begin{bmatrix} x_1 \\ x_2 \\ \vdots \\ x_n \end{bmatrix}, \quad Y = \begin{bmatrix} y_1 \\ y_2 \\ \vdots \\ y_m \end{bmatrix}$$
$$\begin{cases} 0.8X_1 + 0.2X_2 + 0.2X_3 + Y_1 = X_1 \\ 0.1X_1 + 0.1X_2 + 0.1X_3 + Y_2 = X_2 \\ 0.1X_1 + 0.1X_2 + Y_3 = X_3 \end{cases}$$

Here, C stands for the following diagonal line matrices

$$C = \begin{pmatrix} \sum_{i=1}^n a_{i1} & 0 & \dots & 0 \\ 0 & \sum_{i=1}^n a_{i2} & \dots & 0 \\ \dots & \dots & \dots & \dots \\ 0 & 0 & \dots & \sum_{i=1}^n a_{in} \end{pmatrix}$$

D, V, and M represent the column vector for depreciation of fixed assets, the column vector for compensation of labor, and the column vector for social net earnings, respectively as

$$D = \begin{bmatrix} D_1 \\ D_2 \\ \vdots \\ D_n \end{bmatrix}, \quad V = \begin{bmatrix} V_1 \\ V_2 \\ \vdots \\ V_n \end{bmatrix}, \quad M = \begin{bmatrix} M_1 \\ M_2 \\ \vdots \\ M_n \end{bmatrix}$$

Formula (9) may also be written as $(1-C) X = D + V + M$

Using $(1-C)^{-1}$ to stand for the inverse matrix of matrix $(1-C)$, it is existent. The above may be written as

$$X = (1-C)^{-1}(D + V + M) \quad (10)$$

Formula (10) shows that once depreciation of fixed assets for each sector, the amount of compensation for labor, and the amount of social net earnings are known, one can calculate the total amount of total products from each sector.

4. Complete Consumption Coefficient

By using the input output method, one can calculate the final products of production units in each sector relative to the quantity of total consumption of other sector's products. Total consumption includes direct consumption and indirect consumption. The meaning of total consumption may be explained in terms of the various forms of consumption of electricity in making bicycles as follows:

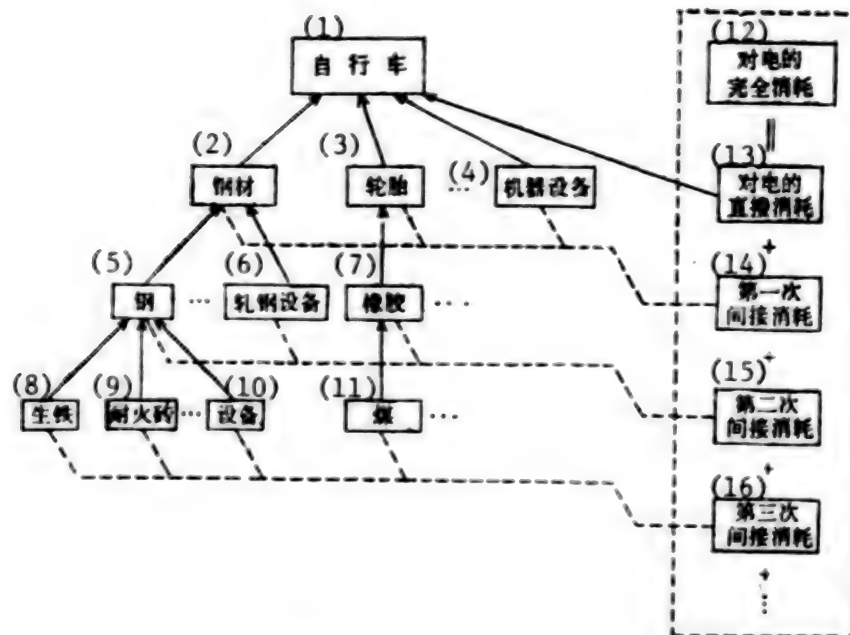


Figure 1

Key:

- | | |
|-----------------------------|--|
| (1) Bicycles | (9) Fire brick |
| (2) Steel manufactures | (10) Equipment |
| (3) Tires | (11) Coal |
| (4) Machinery and Equipment | (12) Total consumption of electricity |
| (5) Steel | (13) Direct consumption of electricity |
| (6) Steel Rolling Equipment | (14) Primary indirect consumption |
| (7) Rubber | (15) Secondary indirect consumption |
| (8) Pig iron | (16) Tertiary indirect consumption |

From Figure 1 it may be seen that electric power is consumed in the process of producing bicycles. This is the direct consumption of electric power for bicycles. However, in the production of bicycles, there is also consumption of steel manufactures, tires, machines and equipment, for which electric power was also consumed in the process of their manufacture. Since these steel manufactures and tires are used in the production of bicycles, this electric power has to be regarded as indirect consumption of electric power to make the bicycles. These we term primary indirect electric power consumption for the manufacture of bicycles. In the process of rolling steel for the steel goods, steel was consumed; in the process of manufacturing tires, rubber was consumed. In the process of producing both the steel and the rubber, electric power was consumed. This is secondary indirect electric power consumption for the manufacture of bicycles. In the process of smelting this steel, pig iron was consumed as was fire-resistant materials and metallurgical equipment. In the process of producing rubber, many products such as coal, were consumed. The production of these products consumed electric power. This is tertiary indirect consumption of electric power for the manufacture of bicycles. This process can continue ad infinitum,

and we can derive countless instances of indirect consumption of electric power to manufacture bicycles. Total consumption of electric power to manufacture bicycles, on the other hand, equals the total of direct consumption of electricity for bicycle manufacture plus all this indirect consumption. Therefore, total consumption of electricity to manufacture bicycles includes not only the consumption of electric power by the bicycle plant to make steel materials at the time of bicycle manufacture, but also includes all the consumption of electric power in all the manufacturing processes that produced goods needed to manufacture bicycles. This reflects the total quantity of electricity contained in the bicycles.

The total consumption coefficient for products may be calculated on the basis of this economic concept by adding direct consumption to indirect consumption at the various times. After calculations have been made for several tens of times, the quantity of new indirect consumption becomes extremely small. The calculation process may then be halted. However, by using an electronic computer with the input output method, the numerical value of total consumption coefficients may be rapidly derived. The following formula may be used to figure total consumption coefficients.

$$b_{ij} = a_{ij} + b_{i1}a_{1j} + b_{i2}a_{2j} + \dots + b_{in}a_{nj} \\ (i, j = 1, 2, \dots, n) \quad (11)$$

Here b_{ij} stands for the total consumption coefficient of product j relative to product i , B representing the total consumption coefficient matrix.

$$B = \begin{pmatrix} b_{11} & b_{12} & \dots & b_{1n} \\ b_{21} & b_{22} & \dots & b_{2n} \\ \dots & \dots & \dots & \dots \\ b_{n1} & b_{n2} & \dots & b_{nn} \end{pmatrix}$$

The set of formulas given in (11) may be written in the following matrix form:

$$B = A + BA, \text{ i.e. } B(1-A) = A, \text{ or} \\ B = A(1-A)^{-1} \\ = (1-A)^{-1} - (1-A)^{-1} + A(1-A)^{-1} \\ = (1-A)^{-1} - (1-A)(1-A)^{-1} \\ = (1-A)^{-1} - 1 \quad (12)$$

Ordinarily we use formula (12), and on the basis of the given fixed direct consumption coefficient matrix A , we calculate total consumption coefficient matrix B .

In the Table 1 example, the direct consumption coefficient is as shown in Table 2. The total consumption coefficients of each sector as calculated with formula (12) are shown in Table 3.

Table 3. Total Consumption Coefficients

	<u>Industry</u>	<u>Agriculture</u>	<u>Other</u>
1. Industry	1.2084	0.5459	0.4693
2. Agriculture	0.2730	0.1911	0.1737
3. Other	0.2481	0.1737	0.0670

The first column of figures in Table 3 shows that for every 10,000 yuan of finished industrial goods, the direct and indirect amount of consumption of products from all sectors in the production process is a total consumption of 12,084 yuan of industrial products, a total consumption of 2,730 yuan of agricultural products, and a total consumption of 2,481 yuan of products from other sectors. Therefore, for every 10,000 yuan of final products from industry, the industrial sector has to produce 22,084 yuan of products (12,084 yuan of which is consumption internal to the production process); the agricultural sector has to produce 2,730 yuan of products (the entire amount being consumed in the production process), and other sectors must produce 2,481 yuan of products (consumed in the production). Similarly, the second column shows that for every 10,000 yuan of agricultural final products produced, the industrial sector has to produce 5,459 yuan of products (consumed in the production process); the agricultural sector has to produce 11,911 yuan of products (1,911 yuan of which is internally consumed in the production process); and other sectors have to produce 1,737 yuan of products (consumed in the production process).

In 1973, China had materials measuring units calculate the direct consumption factors and the total consumption factors for 61 different major goods. The consumption factors for the various major goods are shown in Table 4. The table also shows pertinent figures from Soviet input output tables for 1972 for comparison purposes.

Table 4 shows that:

1. In China's machine industries, some of the major products are comparable with the Soviet Union in consumption of raw and processed materials, the differences not being large;
2. As compared with the USSR, China's consumption coefficient for energy to produce metallurgy industry products is vastly higher. Direct consumption of electric power per ton of steel, for example, is 208 percent that of the USSR, and total consumption is 200 percent that of the USSR. Direct consumption and total consumption of electric power per ton of ferroalloys have a coefficient that is 153 percent and 144 percent respectively that of the USSR. If the energy consumption factors for China's metallurgical industry products are compared with those of the United States, Japan, and West Germany, the difference is even greater. This shows that energy waste by China's metallurgy industries is very serious and that vigorous energy conservation efforts should be launched.

The consumption coefficient for electric power per ton of raw coal in China (including medium and small coal mines) is lower than in the USSR. This is because small coal mines in which the extent of mechanization is very low account for a very large proportion of China's raw coal output.

Table 4. Direct Consumption Coefficients and Total Consumption Coefficients of Various Major Products

	Units	China (1973)		USSR (1972)	
		Direct Consumption	Total Consumption	Direct Consumption	Total Consumption
Seed consumption per 10,000 jin of grain	jin	720	777		
Processed steel consumed per bicycle	kilo	32.18	33.34		
Processed steel consumed per automobile	kilo	2487	2962	2500	3200
Processed steel consumed per machine tool	kilo	1452	1643	1300	2100
Electricity consumed per ton of aluminum	kwh	16576	18339	11154	14669
Electricity consumed per ton of ferroalloy	kwh	4976	5888	3257	4088
Electricity consumed per ton of steel	kwh	199	690	95.5	345
Electricity per ton of finished steel products	kwh	196	1146	110	549
Electricity consumed per ton of crude oil	kwh	24.6	35.1		
Coking coal consumed per ton of pig iron	kilo	728.11	742.61		
Coal consumption per ton of coking coal	kilo	1575	1681	1289	1330
Electricity consumption per ton of coal	kwh	28	34	33	37

5. Role of Input Output Tables in Economic Work

The role of input output tables may be roughly divided into two aspects, namely use in economic analysis and use in planning and forecasting.

An input output table contains an abundance of data. It is a composite balance sheet explaining economic activities and mutual relationships of every sector of the national economy during the reporting period. Use of the data on this table permits a series of economic analyses, such as calculating the structure of the social products sector, studying the value structure of social products, calculating the intermediate product rate and the final product rate (the intermediate product rate and the final product rate meaning the ratio of intermediate products or final products among all products) of each sector, studying the sector structure of final products, studying the proportional relationships of the two major categories, studying the relationship between accumulation and consumption, and studying the proportional relationship among agriculture, light industry, and heavy industry, etc.

The role in planning and forecasting of input product models has the following principal aspects:

1. Calculation of the total output value of each sector on the basis of final output value during the period of plan.

Use of input output methods in planning work requires, first of all, use of final products as the starting point for planning work. When undertaking planning work, it is necessary, first of all, to establish on the basis of the situation during the planning period, both consumption programs and accumulation programs, and one may formulate multiple final product programs for the planning period using the following formula:

$$X = (I-A)^{-1}Y \quad (13)$$

After calculating the total output of each sector, one should consider whether on the basis of productive capacity, natural resources, and the workforce situation whether it is possible during the period of plan to produce these total products, and then, on the basis of the situation, to revise, as necessary, the final product plans and programs.

For example, in the case of the Table 1 example, we hypothesize the quantity of final products from each sector for the period of plan as follows:

Table 5. Final Products Program for Plan Period

	<u>Investment</u>	<u>Consumption</u>	<u>Total</u>
Industry	430	370	800
Agriculture	60	640	700
Other	120	130	250
Total	610	1140	1750

Using formula (13), we can calculate the total products of each sector as follows:

$$\begin{bmatrix} X_1 \\ X_2 \\ X_3 \end{bmatrix} = \begin{bmatrix} 2.2084 & 0.5459 & 0.4693 \\ 0.2730 & 0.1911 & 0.1737 \\ 0.2481 & 0.1737 & 0.0670 \end{bmatrix} \begin{bmatrix} 800 \\ 700 \\ 250 \end{bmatrix} = \begin{bmatrix} 2272.95 \\ 1095.53 \\ 586.85 \end{bmatrix}$$

This means a planned output value of 227,295,000,000 yuan for industry, 109,553,000,000 yuan for agriculture, and a planned output value of 58,685,000,000 for other sectors. On the basis of the foregoing final products plans and programs, we can derive the following plans and programs (see Table 6).

Table 6. Plan Input Output Table

Units: 100 million yuan

	Intermediate Products				Finished Products			Total Products
	In- dus- try	Agri- cul- ture	Other	Total	In- vest- ment	Con- sump- tion	Total	
Industry	1136.47	219.11	117.37	1472.95	430	370	800	2272.95
Agriculture	227.29	109.55	58.69	395.53	60	640	700	1095.53
Other	227.30	109.55	0	336.85	120	130	250	586.85
Total	1591.06	438.21	176.06	2205.33	610	1140	1750	3955.33
Depreciation of Fixed Assets	68.19	21.91	23.47	113.57				
Compensation paid labor	227.30	438.21	234.74	900.25				
Social net income	386.40	197.20	152.58	736.18				
Total	613.70	635.41	387.32	1636.43				
Total Products	2272.95	1095.53	586.85	3955.33				

2. Checking whether existing plans and programs are balanced and coordinated in the proportions for each sector and in the proportions of products.

If input output methods were not used in the compilation of existing national economic plans, we can use these methods to check whether or not the proportional spread among sectors and among products is right, thereby guarding against serious imbalances cropping up. Reportedly, many national and regional input output tables compiled in the USSR are used to check the balance of existing plans and programs. Input output tables played a role in this regard, for example, in the case of 1962 plans for the Byelorussian Republic, and in the 1965 plan for Georgia. Many of the input output tables compiled by Eastern European countries also function as a check on whether national economic plans are balanced in apportionments to various sectors, e.g. the input output table for Bulgaria's 1964 plan, the input output table for Hungary's 1956 and 1970 plan, and the input output table for Czechoslovakia's 1970 plan, all of which served this function.

3. Use of input output methods to study the effects on the economy resulting from adoption of a major economic policy. The United States, for example, has used input output methods to study the effects of the adoption of different energy policies on the speed of economic growth and on employment. It also used input output methods to study a 20 percent reduction in American military disbursements, and the effect on output value in various sectors and various regions of the United States on their transfer to civilian use. The results of this study showed that where a 20 percent cut in military disbursements transferred to civilian use, the output value of certain sectors such as the aviation industry and the military armaments industry, and the research and

development sector would decline by 16.05 percent, 15.42 percent, and 13.26 percent respectively, while the output value of the agricultural sector, and of the consumer goods and civilian services sector would increase.

4. Use of input output methods to study methods of calculating product value and product prices, as well as to study the effects on the prices of products from each sector resulting from changes in wages or changes in the price of energy. For example, the United States has used input output methods to calculate the rate of increase in the price of goods from all sectors resulting from a 10 percent increase in wages. At this time, the prices of construction industry products rose most, and following a 10 percent increase in wages, living costs increased about 3.8 percent, the actual benefit gained by staff and employees thus being only 6.2 percent.

5. Use of input output methods for economic forecasting. An instance was the United Nations compilation of a world input output model to forecast development of the world economy up to the year 2000. In England, compilation of trend models for numerous sectors in Cambridge permitted forecasting of economic development for England from 1978 to 1990.

6. Use of input output methods to study pollution problems, employment problems and population problems, as well as the overall balance in the internal output and energy of enterprises, etc.

9432

CSO: 4006/117

ECONOMIC MANAGEMENT

FISCAL CHECK UPS REPORTED IN THE OFFING IN SHAANXI

Xian SHAANXI RIBAO in Chinese 1 Nov 81 p 2

[Article: "Provincial Financial Commission Sets Criteria for Major Inspection and Examination of Revenues"]

[Text] In order that major checkup of revenues will truly play a role in taking financial and economic discipline seriously, improve administration and management, and promote increased revenues and conservation in expenditures, the Shaanxi Provincial Finance and Trade Commission recently set criteria for a major inspection and examination of revenues, and decided that provincial level units would be examined by the Provincial Finance Bureau acting in conjunction with the departments responsible for work, and that prefecture, municipal, and county units would be examined by pertinent departments organized by the local people's governments.

There are six criteria for examination:

1. Whether all state organizations, enterprises, facilities, taxpaying units and individuals have increased their national sense and the concept of the law, regard seriously and obey financial and economic discipline, are law abiding, practice strict economy, work hard and practice thrift, pay taxes in accordance with regulations, and promptly turn over to higher authority profits and depreciation funds.
2. Full clarification of arbitrary squeezing or pocketing of funds, interception of state revenues, arrears on payment of taxes, profits, or depreciation funds, as well as tax evasion or default in payment of taxes. Whether all public revenues (taxes, profits, and depreciation funds) have been paid into the treasury in accordance with policy stipulations. In cases where single sum payments would work a hardship, whether a plan for installment payments have been worked out.
3. In the case of those units or individuals who have already been found to have used various methods to embezzle state revenue, and who have admitted their error, whether they have returned the funds or goods they took in violation of discipline, and whether measures have been proposed so that henceforth there will be no further violation of financial and economic discipline.
4. In serious cases of violation of financial and economic discipline in which the case related to party or government disciplinary action and the taking of responsibility for a crime, whether solemn disposition has been made, or whether units

concerned have accepted and heard the case placing the case on file for investigation or prosecution, or are in process of handling it.

5. Whether plans have been made for increased output at a saving, and for increased earnings with decreased expenditures, and whether these plans have been carried out.

6. Whether needed rules and regulations have been established and perfected, as for example for collection and expenditure of public funds, fiscal management, economic accounting, issuance of awards and allowances, and pay advances for staff and workers.

9432

CSO: 4006/120

ECONOMIC MANAGEMENT

ECONOMIC RESPONSIBILITY SYSTEM IN SCIENTIFIC RESEARCH UNITS

Guangzhou GUANGZHOU RIBAO in Chinese 27 Oct 81 p 2

[Article by Correspondent Ye Lifei [0673 7787 5481]: "Can Economic Work Contracting Be Instituted in Scientific Research Units?"]

[Text] Once economic contracting of work had been instituted in industrial enterprises, the promotion of production was effectively promoted. So, is it possible to institute economic contracting of work in scientific research units? This is an important question in scientific research management work. Some institutes have already begun to experiment with methods of a system of economic responsibility on problems, i.e. placing scientific research quotas on units tasked with problems in an economic contracting involving research expenses and the economic benefits of results. This is a new effort that merits serious attention and study.

The economic system of responsibility for research problems being tried by some of Guangzhou's research units is of three major kinds. One is a contract system of responsibility. The Guangzhou Light Industries Research Institute permits researchers to select research topics within the institute's research orientation, and following checking, approval and agreement, the unit tasked with the problem and the management of the institute sign a responsibility contract setting forth research tasks, technical norms, and dates of completion. Following completion, a certain proportion of reward funds are provided research personnel, the amount depending on the economic benefits derived from the results. Second, they have instituted a "four fixeds and one reward" coordinated process. For its key research projects, the Guangzhou Pharmaceutical Industry Research Institute has instituted fixed norms, fixed requirements, fixed time, and fixed personnel, integrating on the basis of project needs, a series of personnel responsible for research, testing, equipment, information, logistics, clinical applications, and management for a coordinated attack, responsibility for expenses being contracted, responsibility placed on the key task teams concerned. Following completion of tasks, award funds are taken from earnings from goods developed to be given to participants. Third is institution of research task accounting. The Guangzhou Radio Institute made the unit tasked with research responsible for all special equipment, raw and processed materials consumption and research expenditures allocated for each research task. All units completing their norms on time and having a surplus of contracted expense funds remaining could have 10 percent of the funds saved as a reward. Those who did not complete norms on time, even though they might have funds remaining, had their reward proportionately reduced.

Will these methods of economic contracting that are being tried work? Practice shows results have been very good. Last year after the Light Industries Institute tried out the contract system, the research personnel became extremely energetic, taking the initiative in proposing research topics and carrying out examination and research. They very quickly selected more than 30 projects to serve Guangzhou's light industrial production. After the institute selected 14 of these, everyone threw themselves into research with full vigor. The pace of research was quickened, and a new situation in which everyone competed to make contributions emerged. In recent years the Municipal Pharmaceutical Industry research laboratory required a relative short period of time to develop results with dinggongtengjian II [0002 0361 5671 4354 II] and naomaining [5207 9115 1380], which met advanced national standards. All were achieved through the method of "four fixeds and one reward." After the Radio Institute instituted research problem economic accounting, the research situation rapidly changed from a long period of stagnation to the complete satisfaction of norms and rapid production of results. Last year the institute completed 10 research projects and 5 developmental projects.

Heretofore quite a few people have felt that "production is a hard assignment but research is a soft assignment." Consequently some people did not bother about expenditures or economic benefits in doing research. Institution of a system of economic responsibility is an effective way to change this state of affairs. It links the results of scientific and technical work with the material benefits of scientists and technicians, strengthens the sense of responsibility of scientists and technicians, and arouses their initiative so that "soft assignments" become hard assignments with responsibilities and direction, which everyone strives to complete. Most of Guangzhou's institutes are conducting research in applied techniques, the results of which are directly related to economic benefits and for which use of economic methods is desirable.

Naturally, in instituting systems of economic responsibility, scientific research units should give attention to the individual characteristics of each institute and not entirely use the methods of plant enterprises. Each research unit can adopt diverse methods on the basis of actual circumstances. The basic principles are: Both attention to use of economic methods and attention to the guidance of research work on the basis of scientific laws with no "arbitrary uniformity." There are some nationally needed research projects of long range significance that should be given encouragement even though present economic benefits from them are slight, and the economic welfare of scientific research personnel working on them should be properly looked after. Some research projects on which the researchers responsible have exerted their best efforts have not been completed on time for objective reasons, and such cases should be handled with discretion and flexibility. In short, the method whereby research units institute economic systems of responsibility is a new effort in which numerous problems await continued exploration thorough practice and the accumulation of experiences.

FINANCE AND BANKING

NPC DEPUTY URGES PLUGGING FINANCIAL LOOPHOLES

OW131221 Beijing XINHUA Domestic Service in Chinese 1803 GMT 12 Dec 81

[Text] Beijing, 12 Dec (XINHUA)--While examining Premier Zhao Ziyang's report on the work of the government, Deputy Wang Daren, who is attending the fourth session of the Fifth NPC, suggested that five loopholes must be plugged in finance.

The five loopholes he referred to are:

--Ill-conceived plans and lack of strict control have resulted in a number of "half-finished" projects and long delays in putting them into production. This kind of waste is the greatest.

--Overstocking products adversely affects revenue. Some enterprises are producing blindly, concentrating on output value alone. As a result, products fail to meet needs or are of poor quality and high price and cannot be sold. Nearly 1 billion yuan worth of goods are piled up in warehouses in industrial, commercial and supply departments in Jilin Province. This is more than 5 percent of the total output value of the national economy of the whole province.

--Losses are another big loophole. If the present annual losses of the whole country can be cut in half, it will be a very great help toward reducing this year's financial deficit. Losses of a policy nature are unavoidable, but some losses are problems of work, caused by the idea of eating out of the same big pot.

--Some financial subsidies are not exactly reasonable. Jilin Province pays more than 600 million yuan of subsidies each year, nearly half of the province's total revenue. This averages about 27 yuan for each person in the province each year (about 56 yuan for each person if only the urban population is considered). For a long time subsidies have accounted for more than 20 percent of our country's expenditures, and this is too large a proportion.

--The excessive distribution of bonuses also seriously affects the country's finances. Jilin Province issues about 250 million yuan of bonuses each year, approximately equivalent to 20 percent of the wages of workers and staff members in the whole province. Some bonuses are not earned by improving management and increasing output; they are obtained by certain inappropriate means. Moreover, due to the practice of equalitarianism, some bonuses have failed to produce the effect of arousing socialist enthusiasm among workers and staff members.

Deputy Wang Daren said: Effective measures should be adopted to plug financial loopholes. This is a way to accumulate wealth that must not be ignored.

CSO: 4006/166

FINANCE AND BANKING

ANHUI'S ZHANG JINGFU URGES ECONOMIC DISCIPLINE

OW110035 Beijing XINHUA Domestic Service in Chinese 0255 GMT 9 Dec 81

[Text] Hefei, 9 Dec (XINHUA)--Vice Governor of Anhui Province Meng Jiaqin said at a provincial meeting recently that since the inspection of financial and economic discipline conducted earlier, cases of indiscriminate issuing of bonuses and goods, extravagance and waste, extravagant eating and drinking, the buying of small motor cars without authorization, the building of courtyards for private use and arbitrary apportioning of funds have been reduced in various localities throughout the province.

Provincial revenue has increased monthly since the inspection of financial and economic discipline was launched in July of this year. October has become a record, peak month in revenue receipts in the province topping September by 25.29 million yuan. At present, 70 percent of the total amount of tax evasion and delinquent tax discovered during the inspection of financial and economic discipline has been recovered and delivered to the state treasury.

The Anhui Provincial CCP Committee and the Anhui Provincial People's Government have attached great importance to the inspection of financial and economic discipline. In late August, the province organized 100 cadres into financial-economic discipline inspection groups to work in 16 prefectures, municipalities, and counties and units directly under the province. On 5 October, after hearing reports on the progress of inspection in various localities, First Secretary Zhang Jingfu and Second Secretary Gu Zhuoxin of the Provincial CCP Committee and Governor Zhou Zijian called on various localities to further mobilize the masses to carry out this work as an important step in rectifying the party's work style and improving the mood of society.

Some of the problems discovered in the course of the inspection have been solved by clearing up facts and adhering to the party's policies and the state law. With regard to typical cases of a more serious and obnoxious nature, most of them have been dealt with according to law, thereby making the violators of financial and economic discipline pay their debts so that they cannot gain an extra advantage by unfair means. In conducting inspection in various localities, the inspection groups have also established and consolidated financial and economic disciplines, rotated the training of financial and accounting personnel and plugged all kinds of loopholes.

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MINERAL RESOURCES

BRIEFS

CALL FOR PROTECTING RESOURCES--Nanjing, 13 Dec (XINHUA)--Chinese geologists, at a recent meeting of the Geological Society of China in Wuxi, Jiangsu Province, have called for a committee to protect the country's mineral resources. The gathering said China's 134 mineral deposits made it one of the world's five richest resource countries. Most of the deposits contain more than two kinds of minerals. However, the meeting warned, many mines exploit only the major mineral and waste the rest. Backward technology and administrative inefficiency cause the loss rate of ore to exceed acceptable limits. Commune-administered mines still excavate with little planning. The meeting called for establishment of a committee to survey, verify, plan the exploitation and use of mineral resources and oversee and encourage development of mining technology, dressing and metallurgy. The geologists also suggested to formulate a law governing mineral resources. [Text] [OW131303 Beijing XINHUA in English 1219 GMT 13 Dec 81]

GANSU ELECTROLYTIC NICKEL PRODUCTION--Lanzhou, 11 Dec (XINHUA)--Jinchang, China's leading nickel producer, in Gansu Province, met its annual electrolytic nickel production target 70 days ahead of schedule, the Jinchuan Nonferrous Metals Company announced today. Annual output quotas were also met ahead of time for electrolytic copper, platinum, palladium, gold and silver, the company said. The nickel recovery rate is 2 percent higher this year than last, and the recovery rate of platinum, palladium and other precious metals also has increased, the company said. Jinchang has the second biggest deposits of nickelous sulfide in the world after Canada. The city also has mining, smelting, power and construction industries and facilities for industrial and mining research. Jinchang also produces 20 other metals, including gold, silver, platinum, copper, cobalt, palladium, iridium, ruthenium and rhodium. [OW120625 Beijing XINHUA in English 0740 GMT 11 Dec 81]

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INDUSTRY

OFFICIAL REPORTS ON SUPERVISION, INSPECTION OF PRODUCT QUALITY

Beijing BIAOZHUNHUA TONGXUN [STANDARDIZATION JOURNAL] in Chinese No 5, Oct 81
pp 2-6

[Excerpts from a speech by Yang Jizhi [2799 3444 0037], deputy director general of the Bureau of Standardization and concurrently director of the Bureau of Quality Supervision, to a State Bureau of Standardization Meeting in Yantai on 16 June 1980, on the work of product quality supervision and inspection in medium and small cities]

[Text] Report by our correspondent: From 13 to 16 June, the State Bureau of Standardization held a meeting at Yantai for the exchange of experiences in the work of product quality supervision and inspection in small and medium-size cities. At the conclusion of the meeting, Yang Jizhi, deputy director general of the State Bureau of Standardization and concurrently director of the Bureau of Quality Supervision, made a summary speech.

I. Continue To Implement the Spirit of the Wuhan Conference

In April of last year, a conference was held in Wuhan with the State Council's approval on the work of nationwide product quality supervision and inspection. In the conference, the policy and task of product quality supervision and inspection were clearly defined. At the same time, it was proposed that a fairly complete, authoritative and efficient network of supervision and inspection be set up throughout the country within the next few years so that the exercise of supervision and inspection could be gradually extended to key products, products which might affect people's safety and health, products bearing a "superior" stamp, and certain import-export commodities.

After that conference, the standardization bureaus in various localities have implemented conscientiously the policy of "blazing a trail through diligence and frugality, consolidating the foundation, and carrying out overall planning and active development" adopted at the conference. Despite the shortage of manpower, equipment and funds, these bureaus have overcome various difficulties and achieved great success in creating the necessary conditions and in actively developing the work. According to incomplete statistics, by the end of May, 666 inspection stations had been set up throughout the country, while 63 product quality inspection institutes were reactivated, improved or established, and more than 50 inspection-test centers were established in 7 ministries, thus laying a preliminary foundation for the inspection network.

Though still in the process of formation and far from perfection, the present inspection organs have nevertheless done a great deal of work in exercising supervision and inspection in certain key products; in carrying out inspection on other people's behalf; in the evaluation, selection and further checkup on fine quality goods; in arbitrating quality disputes; in determining the grade of new products; in inspecting exported commodities and demanding compensations; in helping enterprises set up standards and promoting all-round quality control; and in the transmission and feedback of information on quality and in technical training. They have also played an active role in enforcing technical standards and improving the quality of products.

In the past 2 years, we have also done a great deal of work in quality control, resulting in the improvement of product quality. Speaking of the quality of our industrial products as a whole, however, many products are not yet up to the required technical standard, and the "quality first" idea has not taken firm roots among many enterprises. Whenever there is a clash between quantity and quality in production, quantity always has the upper hand with the result that even substandard products have found their way into the market and caused losses to the state and the people. This shows the urgent need for state supervision and inspection of product quality.

Some leading comrade of the State Council recently said: "There are now some products on the market of inferior quality but with high prices. Some people said that goods of even poor quality can be sold, and at negotiated prices too, simply because of the scarcity of goods on the market. This is victimization of the people." "Some solution should be quickly worked out particularly as to the problem of the standard of quality. We cannot afford to sell substandard goods." He also pointed out strongly: "The question of quality is a political one, or a question of whether or not we are responsible to the people. It also affects the cardinal issue of the worker-peasant alliance and the urban-rural relationship. Quality improvement is no easy matter, because it calls for scientific research, design, fine material quality, management and technology. If we cannot bring the products up to the required standard, it would be better for us to produce less. We must never produce anything in a rough and slipshod way." "Good quality is necessary not only for exported goods, but also for those used at home. We must not produce anything in a sloppy way, and anything that may cause inconvenience to people must not be allowed to leave the factory. Strict control is necessary." These remarks pointed to the importance of quality control and clearly showed the orientation of our work.

The foundation of our supervision and inspection on product quality is still very weak; and the supervision and inspection apparatus is not only imperfect, but also practically nonexistent. Because of the stress on quantity at the expense of quality and the greater attention paid to the production equipment than to the means of inspection and testing, the enterprises are incapable of examining and testing their own products. Some of their examination instruments are fairly outdated, and even these instruments are hopelessly insufficient. Some enterprises are using instruments and equipment left over from the 1930's, while others without even their instruments and equipment are relying only on their experiences. These conditions are incompatible with the development of domestic and foreign trades and the requirements for competition on the market. It is therefore necessary for us to strengthen our constant supervision and inspection. The setting up and perfecting

of a supervision and inspection network for product quality is now an objective necessity, and this necessity is particularly urgent for the small and medium-size cities.

If an inspection network can be formed to cover approximately 200 small and medium-size cities and to exercise the work of supervision and inspection, the quality of our products can be greatly improved. I hope that through the present exchange of experiences, this network can be set up at an early date.

II. The Question of Organizing an Inspection Network

Product quality supervision and inspection means the exercise of supervision and inspection by the government on the quality of the enterprises' products on the basis of technical standards, and, if necessary, the prerogative of the government to determine whether an enterprise is in a condition to produce up-to-standard goods (or fine-quality goods). By this means, the enterprise will be encouraged to raise its technical and management standards and to produce goods of high quality. In view of the huge quantities and numerous varieties of goods, the task of supervision and inspection can hardly be accomplished without an organized supervision and inspection network.

How will the supervision and inspection network be organized? Based on our recent experiences, the following basic principles are generally applicable:

1. The organization of a supervision and inspection network must be suitable for local conditions and based on realities.

The organization of such a network should proceed from our national conditions and the present realities in our national economy, and help foster the spirit of pioneering through diligence and frugality. According to the guiding thought proposed at the Wuhan Conference for organizing this network, we should first organize the existing inspection forces and bring them into full play. On this basis, the provinces and municipalities having the required resources can gradually set up and strengthen their inspection institutes which should be distributed evenly throughout the areas. In organizing the network, the following points should be noted.

- a. First, careful investigations and study should be conducted to ascertain the existing conditions, and plans for the organization should be worked out accordingly. After more than 30 years' experience, we should have a sure foundation in construction, and many scientific research units, universities, professional training colleges and trades have set up their examination and testing centers. Most large and medium-size enterprises are also in possession of a certain amount of examination and testing instruments and equipment. After mutual consultation, they can all be organized to set up inspection stations to undertake certain supervision in inspection jobs on behalf of other people. The localities can decide on the number and the specialization of stations to be set up according to the local industrial structure and then plan for the organization of a network. One inspection station can be set up for many enterprises producing the same products. For those enterprises producing a single product of a highly specialized nature, some other forms of supervision can be adopted in lieu of a specialized station.

b. Inspection stations form an important component of the inspection network, and should not be regarded as some temporary or transient form. Therefore, the quality of these stations should deserve great attention. In selecting the sites for station building, the following conditions should be considered: a fairly strong inspection force; the required instruments and equipment; a system of rules and regulations; the qualifications for fulfilling the task of supervision and inspection on behalf of others in a fair way; the enthusiasm of unit leadership in undertaking the task; and so forth.

There are now three prospective locations for the building of stations: first, the laboratories of scientific research units; second, the examination and testing centers of different trades under various departments (such as stations for routine electronic experiments); and third, the production enterprises with fairly good facilities for examination and testing. In view of their capacity as unbiased observers, it would be preferable to set up inspection stations at the first two types of locations, and all units in a position to do so should act accordingly. If inspection stations are set up in production enterprises, which are themselves subject to supervision and evaluation, their judgement as unbiased observers may be questionable. We should, therefore, make full use of all available equipment and data, and select people from various units to act as supervisors and inspectors. It is also advisable for people to be assigned by higher authorities.

c. All prefectures and municipalities can set up inspection institutes provided the required facilities are available. From a long-range view, we can see that if a city with concentrated industrial activities wants to do well in the supervision and inspection of product quality, it must have its own inspection institute in order to be efficient. In setting up inspection institutes, we should not form any "large and all-inclusive" or "small and all-inclusive" units, and every effort should be made to avoid any duplication of equipment or functions. The building of inspection institutes should be based on reality, kept within the limits of feasibility, and carried out in a planned, systematic and selective way. We must guard against "acting rashly on the spur of the moment." In setting up inspection institutes, we must bear in mind that these institutes will have to perform major functions, serve many trades, and undertake inspection jobs of long cycles, or such jobs as are beyond the capability of inspection stations. A great deal of organization and coordination should be carried out within the inspection network.

d. In organizing and building inspection stations, we should pay attention to their consolidation. Inspection stations generally undertake the task of scientific research and production. Now that they have to undertake inspection as an additional task, some real problems or difficulties may crop up in the course of this work. These problems and difficulties should be promptly tackled, or they may dampen the enthusiasm of the workers and impair the consolidation of these stations. How should they be consolidated? First, leadership and ideological-political work should be stepped up. We should pay constant attention to their work, help them solve problems, and instill a sense of responsibility among the inspection personnel. Second, the tasks to be undertaken by each inspection station should be fairly clearly defined, and a suitable system of management should be set up, so that all inspections can be conducted in a systematic and planned way. Third, attention should be paid to the economic benefits of the inspection stations.

e. Professionally, the municipal inspection stations should be under the leadership of the municipal inspection institute or a corresponding section of a provincial inspection station. There should be suitable vocational relations between the stations and the institutes.

2. A Strong Contingent Is Needed

The principle behind the work of quality supervision and inspection is to "control, help, and promote." While stressing the need for good quality, it is also necessary to provide the enterprises with technical assistance in order to promote improvement. Besides being familiar with the technology of production and the required standards and being able to operate the equipment and instruments, the inspection personnel should also be good at uncovering problems and introducing new ideas for improvement. Therefore, a high level of vocational or technical skill and a keen sense of responsibility are necessary. In building up a strong [inspection] contingent, the following points, based on our common experiences, should be noted:

a. In the selection of personnel, attention should be paid to their qualifications. Because of the numerous varieties of products requiring supervision and inspection and involving many professional and technical branches, in addition to the large volume of work and the shortage of personnel, it would be difficult to proceed with work if the question of personnel qualification does not receive due attention. Therefore, we must be sure that the vast majority of the assigned personnel are of a high technical standard and have good experiences.

b. Attention should be paid to regular training. Inspection personnel should have a diversified knowledge. If we want them to be both specialized and versatile, we must pay attention to their regular training. This is all the more necessary for those comrades with a comparatively weak training foundation.

c. In addition to a professional inspection contingent, we should also invite some workers in plants or scientific research units to participate in the inspection work on a part-time basis as a remedy for the shortage of personnel. It is also advisable to invite highly qualified engineers and technicians to participate in difficult tasks whenever such occasions arise. These engineers and technicians can also undertake the work of technical consultation.

3. A System of Rules and Regulations Is Necessary

First, we must see to it that the local government publicizes the methods of control over the supervision and inspection of product quality under its own jurisdiction; stipulates the tasks and responsibility of the organs of supervision and inspection; and clearly defines the position occupied by these organs, the scope of their authorities, their relations with the relevant departments, the forms of supervision to be exercised, and the procedures for the disposal of substandard products. These measures will enable the inspection network and the relevant departments and enterprises to have some rules and regulations to go by, and will insure the smooth progress of the work of supervision and inspection.

To insure their own normal operation, the inspection organs should set up a system of job responsibility; a system of repairs and maintenance of their instruments and equipment; and the systems of periodical calibration, sampling and testing,

vocational conferences, inspection reports, regular vocational training, and so forth.

4. Reasonable Inspection Fees Have To Be Charged

The present charges mainly take two forms: First, the charges are based on the consumption of labor and materials including water, electricity and others; the depreciation of equipment; and a certain amount of operating expenses. The second method is to take a certain portion of the sales value of the products inspected as inspection fees. Since conditions are different in various localities and we have not yet had much practical experience, the following principles are offered for consideration:

a. The fees should be reasonable and not too high. Fees for inspection in the function of supervision should be lower than those charged for inspections undertaken on another's behalf. Generally, it should be reasonable to charge according to the consumption of water, electricity and other materials; the expenditure of labor and the depreciation of fixed assets.

b. Fees must not be duplicated. If one type of product has to be inspected by several parties, arrangements should be made with the authorities concerned for a joint inspection to be considered.

c. The fees collected by an inspection organ should be used mainly to meet their own expenditures.

III. Several Questions To Be Noted in Proceeding with the Work of Supervision and Inspection

1. To Be Good at Organization and Coordination

At the Wuhan Conference, it was pointed out that our departments in charge of standardization should undertake the work of organization and coordination. "First, organization means the rational organization of our existing inspecting strength for full utilization. Second, coordination means streamlining the relations between the central and the local governments for the purpose of a rational division of work and coordinated efforts and avoiding duplication. Third, service means assistance in solving problems in the course of inspection work." Organization and coordination with other professional inspection organs involving such questions as whether the mass line has to be implemented, and whether all positive factors have to be mobilized in forming the network. We must coordinate the efforts of all forces in various quarters and give full play to their various functions before our supervision and inspection of product quality can effectively insure fine quality.

In addition to the inspection organs of the standardization departments, supervision and inspection of product quality are now being carried out by the professional inspection organs of other concerned departments, and the product inspection centers formed in various branches. Despite their different affiliations, the work of all these inspection organs is similar. In other words, all these inspection organs are components of the same inspection network, and their functions are naturally closely related. Thus, problems in coordination will unavoidably arise in certain specific jobs. For example, there may be either duplications or omissions. Therefore, we

must step up our efforts in organization and coordination, and even without any change in the affiliations and division of work, there should be mutual respect, mutual support and good coordination among different organs in order that duplication of work can be avoided. In this connection, we should all continue our practice and sum up our experiences in order to blaze new trails.

2. Active Coordination With the Central Task

Our work is only part of the overall task of economic management, and must therefore be coordinated with the central task in order that we may make greater contributions to our economic development. To coordinate with the central task, the following points should be carefully noted:

First, we must assist in the appraisal and choice of products for the national quality awards and other fine quality ratings. Rewards for fine-quality products are in line with the important state policy for the control of production quality. Every year, the state holds a "quality month" campaign during which state quality prizes are awarded and the evaluation and choice of fine-quality goods are carried out at provincial levels. We must participate actively in these activities under the unified leadership of the economic commissions at various levels.

Second, it is necessary to assist enterprises in promoting total quality control. Total quality control is a scientific method of quality control in modern industrial production as well as the central link of enterprise management. In carrying out total quality control, we should adhere to the principle of "prevention first," and exercise quality control throughout the process of design, trial production, regular production and postsale services. All workers and staff members should participate in this work of production and inspection by strictly complying with the technical standards and by combining self-inspection with mutual inspection in an all-out effort to eliminate substandard goods in the course of production. This is the basic way to guarantee the fine quality of products. Efficient total quality control by the enterprises is the foundation of state supervision and inspection, and shares a common goal with quality supervision and inspection. Therefore, we should assist the enterprises in setting up and perfecting a system of total quality control and then encourage the enterprises to keep up their efforts in this direction, in order to raise the quality of the products to a new level.

Third, assistance is required in the transmission and feedback of information on quality. Through their evaluation of the quality of the enterprises' products, the supervision and inspection organs are in a position to possess and accumulate a huge amount of numerical data. They should report at regular intervals to the planning and economic commissions, the bureaus in charge, and the production enterprises on the situation of product quality, and offer their views and proposals on the ways and means to improve quality control and to deal with incidents resulting from the use of inferior products.

There must be a strict control of product quality so that no substandard products will be accounted for in the fulfillment production plans or in the computation of input values; and no substandard products can be sold at the same price as up-to-standards goods. Furthermore, we have to help and to promote, that is, to help the enterprises analyze the problems of quality discovered, study the methods of solving these problems and improving the quality, and promote the continual

improvement of their product quality. This is also a basic measure of protecting the economic interests of the broad masses. In actual work, we should on the one hand examine the quality of the enterprises' products so as to be sure that they are of fine quality; and, on the other hand, we should dispose of the substandard products which are already on the market by directing the enterprises to set up a system of repairing, replacing and recovering these products within a specified period. This is an important work in protecting the economic interest of the broad masses, and this work must be carried out in earnest.

All these views are offered for the comrades' reference. As to the way to set up the network, let me quote for a leading comrade of the State Council as follows: "Conditions in our country are too complex and it is impossible to use a single formula for the solution of all problems. We must adapt measures to the local conditions, conduct more discussions and then seek truth from facts." We should learn from the experiences of other regions in the light of our own realities, and carry out our work by adapting measures to local conditions.

9411
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INDUSTRY

RESTRUCTURING MANAGEMENT OF TEXTILE ENTERPRISES DISCUSSED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981
pp 54-57

[Article by Zhang Quan [1728 2938]: "A Preliminary Discussion of Experiments in the Restructuring of Economic Management System in Textile Enterprises"]

[Text] Guided by the "eight-character" policy, 11 textile enterprises experimenting in the expansion of decisionmaking power in Yunnan Province had a total output value of 294 million yuan in 1980, an increase of 16.2 percent over 1979, and a total profit of 41.95 million yuan, an increase of 42.94 percent over 1979. In 1980, they handed over to the state 25.44 million yuan in profits, an increase of 11 percent; their industrial and commercial tax paid amounted to 28.76 million yuan, an increase of 14.8 percent; they retained 10.06 million yuan, an increase of 87 percent over 1979. With their profits, they also redeemed 2.76 million yuan of various loans. Such a rapid growth was unprecedented in the textile trade of Yunnan. Other enterprises not yet given expanded power for decisionmaking, but sharing profits or being responsible for limiting loss to a certain extent, also achieved fairly good economic results.

Several Methods of Experiment

The textile enterprises of Yunnan have tried out several methods in restructuring their economic management system.

1. Profit sharing. Six enterprises tried out this method. Profit sharing was classified into "sharing total profits," "sharing above-quota profits," and "sharing base profit with an extra share for above-quota profit," with different ratios of sharing. As shown by the economic results in 1980, three of these 11 enterprises with expanded decisionmaking power adopted the method of profit-sharing and had the highest profit rates. Among these three enterprises, the first one retained 40 percent of the profit, and its profit increase rate was 120 percent. The second one retained 30 percent of the base profit with an addition of 50 percent of the above-quota profit, and its profit increase rate was 128.9 percent. The third one retained 20 percent of the profit with an addition of 40 percent of the above-quota profit, and had a profit increase rate of 85 percent. However, another three enterprises with the lowest profit increase rates also adopted the method of profit-sharing. The first one, which retained 30 percent of the profit, had a profit increase rate of 14 percent; the second one, retaining 24 percent of the profit, had a profit increase of 5.67 percent; and the third one, retaining 6.6

percent of the profit with an addition of 15 percent of the above-quota profit, had a profit increase rate of 8 percent. From this, it is not difficult to find out that among the enterprises with expanded decisionmaking power, those having a larger share of the profit also have a higher rate of profit increase, and those having a smaller share of the profit have a lower rate of profit increase. Profit increase can certainly be attributed to many factors, but a correct proportion of sharing and a rational distribution among the three parties are certainly the important ones. If the ratio of sharing is inappropriate, there will be the spectacle of "penalizing the advanced units," because those who have contributed more cannot be duly rewarded, and this will naturally dampen the enthusiasm of the workers.

2. Independent accounting, paying state tax, and assuming responsibility for profits and losses. Three factories tried out this method. At first, the taxes paid by them were 34.38 percent, 40.82 percent and 48.8 percent respectively. This method was warmly welcomed by the enterprises, because a certain portion of the total profits can be used to solve some urgent problems in production and improvement of the workers' livelihood, which was already overdue. The economic results were good during the experiment in the fourth quarter of 1980, but generally this method was suitable only for enterprises with a fairly good profit foundation for the following reasons: 1) In using this method, wages, fringe benefits, and bonuses are linked up with profits. Those enterprises not so sure of profits are unwilling to take any risk by assuming responsibility for profits and losses. 2) This method calls for complicated calculations, and the enterprises concerned have to spend a lot of energy in working out the portions to be retained and to be paid. There have been protracted bargaining and negotiations for the ratio of state tax to be determined. Since the beginning of this year, income taxes have been levied at a uniform rate of 50 percent with the addition of a regulating tax. The computation of regulating tax is even more complicated, and after repeated trials, one of the plants had to pay 1 percent for regulating tax, while another paid only 0.2 percent. The former had to pay 5 times that of the latter. 3) Provided the system and methods of wage payment remain unchanged, the basic wages are to be appropriated out of the retained profits. At present, this does not seem to make much difference because even though an enterprise retains more profits, there is no corresponding adjustment of wages for the workers and staff members. Their wages are not much affected by the profits.

3. Merits of Responsibility for Profits

Compared with the various other methods, responsibility for profits has the following merits:

1. It is suitable for enterprises with or without expanded decisionmaking power; for prefectures, municipalities, departments and companies as well as units, workshops, work teams, and even individuals in all trades and undertakings. It can also be used in the control of material consumption and administrative expenses.
2. This method of calculation is fairly simple. Instances of wrangling on this score have been very rare.
3. When the amount of profit to be handed over has been determined, and the enterprise has a clear goal for its efforts, economic management and the sense of

responsibility will be strengthened in every link and at every post of production, and great efforts will be made to increase production and practice economy, to increase income and curtail expenses, and to reduce the consumption of energy and raw materials. All these efforts will result in great economic benefits.

4. Based on the profits to be made and the need for production development, the enterprise can work out active and yet steady and reliable long-range plans. The Kunhu Knitted Goods Mill is now proceeding to build 10 branch mills which will be of great help in the readjustment of the industrial structure and the development of the textile and knitted goods trade.

5. While the state can increase its revenue in a steady and sustained way and thus greatly reduce its financial burden in the form of financial allocations for enterprises, the enterprises can also use their own funds in a planned and timely way to develop their production and improve the conditions of production and the welfare of the workers and staff members.

Merits of "Responsibility"

1. "Responsibility" and "eating out of the same pot" are mutually contradictory. Because of the effects of "leftist" ideology since the founding of the People's Republic, "responsibility" has been looked on as some sort of "capitalist ware" and repudiated as something "sinister." On the other hand, "eating out of the same pot" and "equalitarianism" were regarded as being in line with socialist economic principles. This has caused grave political, economic and ideological consequences. In order that production can develop normally, the practice of "eating out of the same pot" must be replaced by a system of "responsibility." Only thus can we bring more vitality to the enterprises and improve the economy.

2. "Responsibility" conforms to the principle of socialist material benefits through the integration of rights, responsibilities and interests. It also plays the role of incentives for the advanced while spurring on the backward ones through distribution of material benefits according to the enterprises' contributions to society. Handing over the profits means responsibility to the state, and keeping the excess profits means responsibility for the enterprises' development and responsibility to the workers and staff members. The increase in rights and responsibilities for the enterprises also means an increase in material benefits, and will serve to encourage every worker and staff member to be concerned with the economic results of their own enterprise operation.

Basis, Methods and Visions of "Responsibility"

1. Rate of growth is an important basis for determining the rate of profits to be handed over to the state. The rate of growth in the textile industry as demanded by the Ministry of Textile Industry is a progressive increase of 8 percent every year, so that at this rate, the profits to be handed over to the state will be at least doubled in 10 years. For the Kunhu Knitted Goods Mill, the progressive rate of increase was fixed at 10 percent every year so that the profits would be doubled in 7 years. For the whole textile trade, an annual progressive increase rate of 8 percent would be more appropriate. Such a growth rate is not low, and it can be accomplished with some effort.

2. The experiment of expanded decisionmaking power by the Kunhu Knitted Goods Mill began in 1979, when 10.4 percent of the total profits were retained. In that year, the profits handed over amounted to 2.5 million yuan. In 1980, the system of responsibility for profit quota was adopted, and the amount of profits handed over in the preceding year was used as the profit base. With a 10 percent addition, the amount of profits to be handed over was 2.8 million yuan. After a deduction of 0.24 million yuan for the redemption of loans, the actual profits to be handed over were 2.56 million yuan, representing an actual profit increase rate of 2.4 percent. In 1981, the amount handed over in 1980, namely, 2.56 million yuan with a progressive increase of 10 percent, was used as the profit base. The amount of profit to be handed over in 1981 is 2.82 million yuan. Any excess over this amount will be retained by the enterprise to be used as production development fund, welfare fund and bonus fund. In 1980, the Kunhu Knitted Goods Mill's retained profits amounted to 2.39 million yuan. Out of this sum, 600,000 yuan was used to buy national bonds; 1.4 million yuan to buy four warp knitting machines and one beam warping machine from abroad; and the remaining 390,000 yuan for bonus and welfare funds. The investment of 1.4 million yuan in 1 year to upgrade equipment was unprecedented. Were it not for the system of responsibility for profits, it would have been impossible for an enterprise to spend so much money on the expansion of its productive capacity.

3. How will the base of profit to be handed over be determined after 3 years? This is a matter of great concern to many enterprises, and each case must be handled on its own merits. For enterprises with fairly steady production, the rate of profit increase can continue to rise on the basis of the original "responsibility." In other words, the amount of profits handed over in the third year can be used as the base, and the same procedure can be followed in future, provided the progressive rate of increase is properly adjusted from time to time according to changing conditions. If the amount of profits handed over in the third year is to be used as the profit base for some enterprises with fast developing production and making great profits, then the profits retained may be more than those handed over to the state. For the same reason, if the total profit of the third year is to be used as the profit base, the enterprise may not have much to retain. As the principle behind the solution of this problem, the state's income should increase along with the increase in the enterprise's profits, and the enterprise should also retain more in order that its activism in production will not be dampened.

4. Companies should also adopt the system of "responsibility for profits." The existing management system is not helpful to the companies in playing their roles of overall arrangement, business service, supervision and coordination. There are many problems in readjustment and restructuring that are difficult to solve. The system of responsibility for profits will help in strengthening the companies' overall leadership over the business management of the enterprises; in coordinating and evening up the supply of raw materials and readjusting the prices of products among the enterprises; in readjusting the product mix, and improving and promoting the regulative role of the market under the guidance of state planning; in solving the problem of uneven distribution of benefits and responsibilities among different enterprises and the problem of bonuses; in promoting training for and scientific-technical exchange among the workers and staff members; and in using the accumulated funds for tapping potential, renovation and transformation of equipment on small and medium scales, and developing the textile industry in a

planned and systematic way. In short, it will strengthen the companies' rights and responsibilities so that rights, responsibilities and interests will be integrated to promote the implementation of the "eight-character" policy as a contribution to the four modernizations.

Several Views on Restructuring

The period of experimenting in the various methods of restructuring the management system of textile enterprises is still brief, and no mature experience can be obtained. Yet one point is certain: They are the methods for correctly handling the interests of all three parties. Now I would like to present some views for discussion.

1. The state's share should be larger than the enterprise's. To guarantee a steady and sustained increase in state revenue is the principle which must be observed by every person working in government organs and every person responsible for the management of enterprises. Should there be any sharp rise in enterprise profits because of unforeseen circumstances (in which case, the portion retained by the enterprise will be more than the portion received by the state), consultations should be conducted with the enterprise concerned so that the state's share can be enlarged. However, instead of arbitrarily changing the original ratio and base figure, it is necessary to provide guidance and exercise proper control in the use of funds and the payment of bonuses by the enterprise.
2. For enterprises enjoying favorable production conditions and earning high profits, their retained share of profits should not be too small. Their retained portion should increase along with the increase in the state's portion so that these enterprises may have a goal to strive for. At the same time, we should note that the textile enterprises are generally using rundown buildings and outdated equipment, and have many long-standing problems to solve. Therefore, we should be liberal with their retained share.
3. Sharing the total profits provides no incentives to the fulfillment of the profit plan. If the ratio of the retained share is small, it may even dampen the enthusiasm of the enterprises in production and affect the state's steady income. It is proposed that hereafter, this method will be used sparingly or not at all. Last year's experiences proved that the enterprises retaining only small shares had rather poor economic results.
4. The principles in assuming responsibility for profits should be clarified. For example, the base profit and the progressive rate of increase should remain unchanged for 3 years instead of being changed at will. The enterprises are afraid of policy changes.
5. In assuming responsibility for profits, the enterprise should also gradually strive to link the profits with the completion of production plans, and the fulfillment of the quality, varieties, production costs and other technical and economic targets in order that there can be an all-out implementation of the system of economic responsibility.
6. The departments in charge should use the necessary administrative intervention and other effective means of control in the use of retained funds and the payment of bonuses by the enterprises.

INDUSTRY

MEASURES TO DEVELOP TEXTILE INDUSTRY EXAMINED

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[Text] Chapter 1. China's Policy for Development of Its Textile Industry

I. Reevaluation of the Textile Industry

China's textile industry consists of 10 areas, including cotton textiles, wool textiles, linen textiles, synthetic fiber textiles, textile printing, knitted fabric, secondary products, spinning machinery, and spinning equipment. As of 1979, there was a total of 4,958 enterprises in the textile industry departments, and the total manpower involved was 3.1 million men. The total production for the same year accounted for 11.8 percent of the total industrial production of the country (Note 1). This ratio was not as high as the 37 percent during the initial days of the country's founding (Note 2), but there is no question that, even today, the textile industry is one of the important industries of this nation.

The administrative organ for the textile industry in China's central government is the Textile Industry Ministry. At one time between July 1970 and March 1978, the Textile Industry Ministry was incorporated into the Light Industry Ministry. This appeared as a so-called "Jingbing Jianzheng" ["better troops and simpler administration"] (simplifying mechanism) that was a manifestation of the Cultural Revolution, but the actual situation was the little regard for the textile industry. In March 1978 after the overthrow of the "gang of four," the direction and control of the textile industry on the part of the central government were strengthened, and the textile industry was separated and made independent of the Light Industry Ministry.

The administrative system over the textile industry was a comparatively centralized control system during the First Five-Year Plan (1953-57). On the other hand, as one phase of the modification of the entire industrial control system which started in 1958, the greater part of the industries which had till then come under the central textile industry departments' control was transferred to the localities (mainly at province level). This was the so-called "downward dispersion" of central industries to the regional levels. This dispersion of industrial control to the local districts as a whole did not continue very long,

and after the collapse of the "Great Leap Forward," it became inevitable along about the first of the 1960's that a general readjustment of the country's economy be made, and there was a return once more to central control. On the other hand, the situation with respect to control over lower level enterprises was not too firmly handled, and most of the enterprises (plants) continued to remain under the control of various local governments, with the exception of major enterprises (plants) dealing with chemical fibers and textile machinery. In this manner, the textile industry departments have remained under decentralized local government control ever since 1958, and synthetic fiber integrated complexes and major plants making textile machinery are the only ones under the Textile Industry Ministry of the central government.

There are the following three types of local textile industry management systems (Note 3). 1) Urban textile industry bureaus directly under the central government--various specialized industrial corporations--enterprises (plants). This was the management system found in the three cities under direct control of the central government (administrative areas at the same level as the province) and was applied to Beijing, Tianjin and Shanghai. The lower specialized industrial corporations under each office were established according to the type of industry. For example, the Shanghai bureau has a breakdown into 11 corporations, such as cotton textiles, dyeing, predyed textiles, and knitted fabrics. At the present time, these special corporations do not comprise independent enterprise units but are intermediate between the bureau and enterprise (plant) and they are the organs which direct and coordinate the activities of various lines in the textile industry departments. 2) Province--country or urban textile industry bureau--enterprise (plant). Many of the provincial textile industry enterprises receive guidance in operations from the county or urban textile industry bureau to whose jurisdiction they belong. 3) Provincial textile industry bureau--enterprise (plant). This is the system in effect in some of the provinces such as Henan and Shanxi. There were occasions during the cultural revolution when the enterprises were shifted to the counties or cities ("downward dispersion").

Now, as part of the economic readjustment initiated in 1979, there was a shift to emphasize development of all light industry, including the textile industry. This was, above all, a reaction to the overwhelming attention given the heavy industry till then with accompanying deemphasis on development of agriculture and light industry. There already had been a reaction to this overwhelming development of heavy industry during the "Great Leap Forward" (1958-1960) in the first half of the 1960 decade, and a proposal was made to reorganize economic planning in the order of agriculture, light industry and heavy industry, but this policy was not implemented as the country became more deeply involved in the cultural revolution. As the 1970 decade came, the priority of industries in the order of "heavy industry, agriculture, and light industry" was applied throughout the country, and it was a trying period for light industry (Note 4).

The development of all light industry, including the textile industry, was suppressed by the overwhelming preferential development of heavy industry. This can be seen, for example, in the amount of national capital construction investment allocated to light industry of 5.7 percent for the First Five-Year Plan (1953-57) during the middle of the 1950's, declining to 4.8 percent during the Fourth

Five-Year Plan (1971-75) in the first part of the 1970's (Note 5). Furthermore, there were insufficiencies in the supply of facilities, raw materials, and energy to all departments of light industry, and these shortages were sometimes considerable. The electric power allotted to industry was taken up by heavy industry to the extent of 80-90 percent, and industries such as metallurgy and chemicals used as much as one-third of the total power while the light industrial departments could use but about 10 percent (Note 6). In other words, the heavy industry departments of the country, including energy production, was undergoing the so-called self-serving type of development, and serving light industry and agriculture was downplayed, or even suppressed.

Because of the little regard for production and construction as well as suppression of all light industry departments, including the textile industry, there was an accompanying limitation to any expansion of the supply of daily-use industrial products so deeply tied with the people's livelihood. Even the data supplied by the Chinese shows that the per capita consumption of textiles is about 40 percent that of the world's average (Note 7). The average per capita consumption of cotton goods in 1969 was 17.1 chi (1 chi is one-third meter, the Chinese chi is equivalent to 1.1 Japanese shaku) which was the ration ("fabric ticket"), and there has been little increase over the past 10 years (Note 8).

With the proposal of the so-called "four modernizations" (modernization of industry, agriculture, national defense, and science and technology) as the pressing subjects of the country following the fall of the "gang of four" in the autumn of 1976, construction in the heavy chemical industry was reactivated. The adoption of the ambitious "10-Year Plan for National Economic Development" at the National People's Congress in the spring of 1978 spurred on this movement. On the other hand, it became clear as early as 1979 that this urgent and excessive construction of heavy chemical plants was causing severe imbalance in the national economy, and it was decided to undertake a 3-year period of economic readjustment at the National People's Congress in June of the same year.

It was recognized at that time that a revision of the priority order in the economic plan for agriculture, light industry, and heavy industry was, first of all, the most pressing issue for economic readjustment. The reaction had taken place to the former setup whereby agriculture and light industry were sacrificed for the one-sided and runaway development of heavy industry, and recognition developed that this practice was the prime factor responsible for this economic imbalance.

With the recognition of the so-called "agriculture, light industry, heavy industry" policy, the role of light industry, including the textile industry, in the nation's economic development began to be stressed once more. First of all, it was emphasized that light industry is an important source of national income. Let us look at some data released by China. During the 28 years from 1950 through 1977, enterprises in the light-industry departments, including the textile industry, contributed close to 30 percent (29 percent) of the national income (here and below, includes fiscal income of the central and local governments) in profits and taxes and 70 percent of the capital construction investment for the same period (Note 9). Looking only at the textile industry, it accounted for only one-tenth of the total profits and taxes during recent years (Note 10).

It is sometimes emphasized that there are good returns on investments in light industry in line with the important role assigned to it to accumulate capital. For example, the country diverted but 510 million yuan to the renewal of old plants located in China's largest textile base in the Shanghai area for the past 30 years (1950-79), while the profits and taxes returned by the industry to the country for the same period was 42.62 billion yuan, more than 83 times the sum invested (Note 11). At the same time, it was pointed out that "the history of industrialization of many of the leading countries started with the development of the textile industry" (Note 12), and an expansion of the textile industry also is associated with development of light industry to lead to the "light industry nourishing heavy industry" (hereafter abbreviated to light nourishes heavy) method (Note 13).

The second point stressed in the roles of the light industry and textile industry is the role they play in the improvement of the life of the people. The policies of the past which involved blind pursuit of rapid growth and high targets sacrificed the well-being of the people and stressed construction of heavy industrial facilities. The new people who came into power after the overthrow of the "gang of four" were imbued with the need to redeem the government from the "bill of sale" the people had been saddled with. Vitally needed rises in the prices of agricultural products and increased wages for staff members and workers were put into effect after what had been an interminably long period at no change. At the same time, the suppression of consumption, which had continued for a long time, was eased, and a demand was made that increased supply of various light-industrial products necessary to the people's livelihood be pursued. This move was also necessary to draw the people into whole-hearted participation in modernization.

The third point brought out in the roles of the light industry and textile industry was expansion of export products. According to a recent Chinese publication, about 45 percent of the income from export was attributable to the light industry and textile industry, which was considerably better than the 31.9 percent contributed by heavy industry (Note 14). It was said that the textile industry alone accounted for more than 20 percent (Note 15). Unlike a temporary closing of the gates, as long as modernization proceed with the promotion of "economic policy for release to the outside" (Note 16), there may be much greater request for export than was experienced in the past. It is only natural that there are greater expectations for the role of light industry, particularly the textile industry.

At the People's Congress of June 1979 when this economic readjustment was formally hammered out, the second item on the list of 10 major tasks was to "take measures directed at developing light and textile industries." The first item was, needless to say, to strengthen agricultural development.

Management to speed up light and textile industry development materialized with the enactment of the "six priorities" in 1980 (Note 18). The "six priorities" involving the light and textile industries were 1) supply of raw materials, fuels, and electric power, 2) development of latent capacities, technological innovation, and improvement, 3) capital construction, 4) bank loans, 5) allocation of foreign exchange and introduction of technology, and 6) traffic and transport.

It was indicated in the economic readjustment which followed in 1981 that these "six priorities" with regard to the light and textile industries will be continued (Note 19).

II. Raw Material Problems of the Textile Industry

The greatest problem facing China's textile industry presently is that of raw materials. This has two aspects described below. The first is expansion in sources of natural fiber raw materials and the other is the promotion of synthetic fiber production.

Let us consider the first aspect. In the past, a policy based on "food" as the fulcrum was promoted throughout the country, and this caused severe impediment to development of diversification in agricultural production. After the fall of the "gang of four," there was diversification in agriculture suitable for the conditions of any given area such as, for example, stressing the advantages of animal husbandry for the vast plain areas. At the same time, the development of the traditional silkworm industry was promoted in those regions best suited for it. Corresponding to such movements, the latest potential of the woolen textile industry using sheep wool as raw material and the fiber and silk industries were emphasized. In addition, there was considerable leeway for raw material development for linen weaving, but some insufficiency in finishing capacity was indicated (Note 20). In addition, there has been indicated a need to modify the imbalance in the area of the textile industry using natural fiber raw materials where development has taken place mostly along the lines of cotton spinning.

In addition to development in production of a variety of natural fibers, establishment of a synthetic fiber industry is being promoted, and an increase in the ratio of chemical fibers is being emphasized.

The development of China's synthetic fiber industry was greatly motivated by the decline in its raw cotton production. The overall picture was that a rapid large increase in cultivated area of cotton was not a desirable situation since any increase in cotton production would compete with the production of food. There had already been the development and reinforcement of the synthetic fiber industry planned during the adjustment period of the first half of the 1960 decade to indirectly lessen the load on raw cotton through the production of substitute fibers by the so-called "industry supporting agriculture" (industrial departments to support agriculture) concept. It was during this time that new manufacturing plants for fibers such as nylon, vinylon, and acrylic, as well as manufacturing plant technology, were imported from the Western industrial countries.

Beginning with 1970, there was the call that "the entire country put its efforts into light industry, light industry put its efforts into textiles, and textiles put its efforts into synthetic fibers" (Chou Enlai), and there was considerable force directed at the development of the synthetic fiber industry (Note 21). At that time, there was in the background the spectacular development of oil in China, and four synthetic integrated complexes (Shanghai, Liaoning, Tianjin and Sichuan Provinces) using oil and natural gas as raw materials were constructed with leading plant technology introduced from foreign countries. Although all of these plants are not complete as yet, there has already been a tremendous boost in the nation's production capacity. According to Chinese statistics, the

production of synthetic fiber during 1980 reached 440,000 tons. This is an increase of more than 53 percent over the 287,000 tons in 1978 just 2 years before (Note 23). With this sudden increase, the amount of total fiber raw material accounted for by synthetic fibers increased to 9 percent in 1979 (Note 24). Needless to say, this level of development still places the country far behind the leading countries of the world.

Now, the development of China's synthetic fiber industry ran into the unexpected reversals in the expected expansion of crude oil production, and the future of oil production did not seem too rosy. Crude oil production in China had been achieving the high rate of growth of about 20 percent a year up to the middle of the 1970's, but this rate of growth decreased as the latter half of the 1970's was entered, and the plateau of 100 million tons was attained in 1978 and is the level presently being maintained. There was a slight decline in production from the preceding year (0.2 percent) in 1980 (Note 25). There is the pessimistic prediction that production in 1985 will be roughly 10-20 percent lower than the present 100 million tons (Note 26).

Added to the stagnation in production is the domestic oil consumption which is growing beyond anticipated levels, and export capacity of oil is sharply declining. The volume of export to Japan which is the largest importer was established by a long-term Japan-China agreement signed in 1978 which called for 9.5 million tons in 1981 and 15 million tons in 1982, but it was reported last fall that only about 8.3 million tons can be exported in these 2 years, with an even more bleak outlook that this year may see an even further cut in exports (Note 27). In this manner, the strategy to use foreign exchange balance obtained by the export of oil to introduce leading plant technology from foreign countries and thereby accelerate modernization was quickly quenched. It is clear that the reinforcement in economic readjustment planned from this year on through the introduction of plant technology mainly through large project construction had to be suspended because of a large miscalculation of the oil supply picture.

Except for the plant tied in with the Shanghai Baoshan Steel Plant, the large projects whose construction had to be suspended were all petrochemical industry related plants. China's crude oil is mainly heavy crude, and it is said that the content of naphtha which is the raw material for the petrochemical industry is extremely low (9.4 percent in the oil from the Taching oilfields and 6 percent in the Shengli oilfields in Shantung) (Note 28). If the production capacity of the petrochemical industry should sharply increase, there will be need for that much more raw materials over what is normally needed. For example, even if the project were completed, it can be assuredly predicted that full operation would not be possible because they would face lack of raw material, and this is thought to have been the factor responsible for the drastic actions that were taken.

If now "5 million tons of crude oil can be drilled, 1 million tons of synthetic fiber can be produced. One million tons of synthetic fiber is equivalent to 20 million dan (1 dan is 50 kilograms) raw cotton" (Note 29), but this optimistic outlook on the future of China's synthetic fiber industry clearly needs to be reassessed.

At the same time, there are reviews and studies being directed on methods of plant technology introduction with regard to the construction of synthetic fiber integrated complexes (Note 30).

III. Developing the Latent Capacity of Existing Synthetic Fiber Enterprises

Up to the present time, the textile industry of China was mainly based on developing its existing enterprises through technological innovations and improvements to "develop their latent capacity" (this is called "Wagian" in China). One classic example is the development of the Shanghai textile industry, the country's largest textile base.

During the 30 years since the founding of the country, there was no basic hope for construction of new plants for Shanghai's textile industry. In addition, close to 100 plants moved or shifted to inland areas. There was roughly a 20 percent reduction in the all important spindles and machines respectively, and there was a reduction in the work force to 400,000 from a maximum of 430,000. Despite this decrease in facilities and workers, the production of the Shanghai textile industry increased 6.5 times during this 30-year span, and labor productivity is said to have increased 3.8 times (Note 31).

This display of developing latent capacities through technological innovation and improvement of old plants rather than through the construction of new ones is well shown by the accompanying statistics. The country invested 510 million yuan to improve the old plants in Shanghai over this 30-year period, but during this period the textile industry of Shanghai turned in 42.6 billion yuan to the government coffers in profits and taxes. There was a return of 83.6 times in the country's investment through taxes and profits (Note 32). Because of this development, the textile industry of Shanghai produces 24 percent of the nation's textiles, and its profits account for 31 percent of the nation's total, despite the fact that its labor force is but 14 percent of the nation's textile labor force. It is also said that textile exports from Shanghai during recent years accounted for about half the total textile exports (Note 33).

Although the Shanghai textile industry is making this large contribution to the nation's effort, there is still a wide gap between the production and the country's and people's needs, as well as a wide gap between the levels of these plants compared to the levels of the leading countries. Many problems are present. For example, many of these products do not have sufficient competitive strength on the international market, many of the plants are crowded and have not been repaired for a long time, there is inadequate capacity for weaving cotton, wool, and synthetic fibers, so the needs of the finishing processes which follow are not adequately filled, there is no balance between the production facilities and the health, welfare, and recreational facilities at the different plants, and past practices such as low regard for improvements in workers, living standards are coming to haunt them (Note 34). The principal factor responsible for these problems is the very small investment made in the textile industry during past years. If the data presented above is reworked, the investment the country made in Shanghai's textile industry amounted to but 1.2 percent of the taxes and profits which the industry turned in.

If now this past policy of bringing out latent capacity to develop the textile industry were to be followed, there may be need for a fixed rate of investment. As mentioned before, there is great likelihood that with the economic readjustments taking place, China's investment in the area of the textile industry will

increase over the past. On the other hand, China's present structure is such that there is a built-in limitation to this increase. This is why the people in charge of the Shanghai textile industry are considering means to increase profits and retain a portion of them for improvements to the old industry and to develop productivity as a premise for improving the group welfare (such as quarters) of the workers and increase worker bonuses and thereby reverse the "practices" of the past. This method is called "enterprises nurturing enterprises and using their own efforts to modernize themselves" (Note 36).

Now, the Textile Industry Bureau of the city of Shanghai is operating on the premise of retaining all profits and has guaranteed that production, profits, and export will increase gradually at the rate of 8 percent/year over the next 5 years. With such a guarantee as premise, 90.5 percent of the total profits from the enterprises under the umbrella of this textile bureau will be paid to the government and the remaining 9.5 percent will be retained. Since the 9.5 percent retained will be kept for 5 years, naturally there will be an increase in the absolute value of retained profit as the total profit of this bureau increases.

This total retained profit will be disbursed in the manner that 40 percent will be directed toward developing productivity while 30 percent each will be directed to the group welfare and bonuses for the workers. It is hoped that during the 5 years starting in 1979 a total of 512 million yuan will be available as retained profit production development funds, and this amount will be very close to what the government invested in the textile industry of Shanghai during the 30 years since the founding of the country. It is also said that roughly 40 percent of the sum allotted to the group welfare of the workers will be used for quarters construction (1 million square meters).

In this manner, the characteristic feature of this profit retention plan being followed by the textile industry of Shanghai is not based on individual enterprises but on the city's textile industry bureau as the unit. There are more than 430 textile enterprises under the jurisdiction of this bureau, and each enterprise belongs to one of 11 corporations (for example, cotton textiles, knitted goods, wool and linen, etc) established by industry under the bureau (Note 37). A portion of the total profits of these 430 enterprises will be retained by this bureau and then be distributed to the bureau, corporations and enterprises. For example, the funds from the retained profits earmarked for production development have been estimated to come up to 512 million yuan in the 5-year period starting in 1979, as mentioned before, and 200 million yuan will be retained by the industry bureau, 100 million yuan will be retained by the corporation, and the remaining 212 million yuan by the enterprises (Note 38). This distribution of profit to the corporations' enterprises has merit in that the innovations and improvements which each industry deems very important and which are important from the standpoint of the Shanghai district textile industry overall can proceed as planned.

This profit retention with the bureau as the basic unit is said to be advantageous also from the view that the "imbalance between sweet and bitter" brought about by external conditions can be overcome. Under the situation in our country, the size of the profit is not determined by how well the enterprise is doing but by occasional price increases. A portion of the goods will return greater profit when the price is high, while a portion will return greater profit when

the price is low. In this manner, it is not strange that considerable differences in profit levels can arise depending on the type and array of products between industries and enterprises. This is the phenomenon of the so-called "imbalance between sweet and bitter." Taking the example of the Shanghai textile industry, the printing industry through the development of polyesters, mixed cotton fabrics, and medium-length fiber fabrics yielded a profit of 382 million yuan in 1979 by the effort of 26,000 workers. Now, the towel and sheet makers working mainly with purely cotton products while employing 25,000 workers or nearly the same work force as the printing industry was able to reap a profit of only 70 million yuan during 1979. Even within a given industry as, for example, the 19 polyester mixed-product enterprises coming under the cotton textile industry and the 12 enterprises working purely with cotton products showed differences 6-7 times in their profit levels despite the same size labor force (Note 39). It boils down to the situation where mixed synthetic fiber product is more profitable than purely cotton product, and the differences in profit levels between industries and enterprises become greater than necessary bringing out the so-called "imbalance between sweet and bitter" phenomenon.

In order to resolve this matter, the Shanghai Textile Industry Bureau first of all established different profit retention rates according to industry in the process of distributing the total profits of the bureau between the different corporations and the lower-level enterprises, while the amount distributed to individual enterprises within a given type of industry is figured on an internally calculated price rather than the going price. This internally calculated price has no relationship with the commercial departments or consumers and is designed to make for a more rational calculation of the retained profit by each enterprise within a given type of industry (Note 40).

Any revision in these differences in profit levels between industries and enterprises arising from irrationalities in the going price system must come from overall revision of the primary going price. If the adjustment in going price is effective throughout to even adjust to retail price of the consumer goods, there will be some large effect on the people's livelihood. This is why this is something which cannot be readily started unless the proper conditions are set up, and it should not be started. For example, in order to revise the irrational difference in profit levels between industries and enterprises under the going price setup, the method presently in use by the Shanghai Textile Industry Bureau may be evaluated as the next to the best solution. At the same time, should the internally calculated price be able to provide sufficient adjustment capability, it may serve as a basis for future price adjustments.

To be sure, this method of profit retention based on the bureau of the Shanghai textile industry as the unit recognizes the retention of profit by the bureau or by a corporation, and the effect on expansion of autonomy of the lower-level enterprises can be discounted that much. In the particular situation in which the profit retained by the bureau or corporation is used to make technological innovations or improvement considered important for the whole industry, it is often the case that small enterprises are not included, and there seems to be considerable dissatisfaction in them. Consequently, the profit retained by the bureau or corporation should fall within a range necessary to adjust for "sweet and bitter imbalance" among enterprises created by such objective factors such as irrationality in the going price according to a proposal which was made (Note 41).

"Developing of latent capacity" through technological innovation and improvement of existing enterprises is also a subject considered by the textile industries of areas other than Shanghai. Let us now look at the practice followed in Hubei Province (Note 42).

The first step is to revise the product makeup and plan to upgrade quality to medium and high-grade products. This type of management is considered the "key" for the rebirth of the textile industry. The Shanghai textile industry leads in this area as well and is regarded as a model. For example, the amount of the total cotton fiber production accounted for by synthetic and mixed fiber systems of Shanghai was 28.02 percent in 1978, but that of Hubei Province was but 14.33 percent. In addition, the ratio of total fabric production taken up by synthetic fiber and mixed fiber fabric was 33.67 percent at Shanghai while that of Hubei was 17.76 percent. Hubei, which has fallen behind in the matter of higher class goods, broader fabric, and synthetic fiber, plans to direct greater effort to rectify the situation.

The second step is to weed out gradually and in planned manner the ancient and dilapidated facilities of the 1920's and 1930's, renovate the facilities of the 1940's and 1950's, and refurbish part of them to leading levels. This practice has been pinpointed as the material foundation for the rebirth of the textile industry. Looking back on the overall situation of the Hubei province textile industry, the machine facilities can be classified according to the following three types: 1) Machine facilities of foreign make obtained during the 1920 and 1930 decades; 2) Textile machinery of the first generation produced by new China (about the level of foreign equipment of 1940 vintage); 3) Standardized second generation product of new China at the level of 1960 machinery. At the present time, the removal and renovation of the class 1 dilapidated equipment of the 1920's and 1930's is the major objective. These machines not only have low productivity and produce poor quality goods, but getting materials and parts is difficult and maintenance is a problem.

The third step is a fundamental improvement in working conditions. This practice is considered an important "assurance" to lessen the exertion laborers put out, improve the quality of products, and improve the situation of the old industry. This is because poor working conditions are a particularly distressing problem of old industries. Improvements and expansions of air conditioning facilities and increased installation of restrooms, change rooms, and toilets are targeted.

The cotton textile plants of Shanghai and Beijing have been using a three-shift, 1-day rest per week type shift system which has been changed to four-section, three-shift, 2-day rest per 8 days system, which is being favorably accepted by the workers (Note 43). Because there is an increase of an extra section, there is that much increase in number of workers, but this is not an unwelcome situation in cities where there are deepening unemployment problems.

In any event, it may be said that the various practices described above being adopted in Hubei Province are a model example of the renovation and improvement policy of existing enterprises of the country's textile industry.

It may be only natural that the enterprises have some definite authority in management in order to carry out these various practices. The expansion of so-called autonomy of an enterprise may become necessary. The expansion of autonomy in the fiscal management area such as profit retention may be the key to this development. This is because such a course will ensure one's own fiscal sources for technological innovation and improvement. In addition to the above, the retention and operating authority over fixed assets depreciation may become a problem in fiscal management. Up till now, the period for fixed asset depreciation has been extremely long (it is generally 25 years in the industrial area), and the reserve rate in depreciation was pegged at the 40 percent level. In addition, there were severe limitations to the use of new technology for the renovation of facilities, and only renovations termed "duplication of antiques" and "freezing of technological advances" could be performed (Note 44). Not only must the depreciation rate of fixed assets be jacked up considerably, but the depreciation through enterprise retention be increased and modification of rigid regulations regarding renovations be made in order to bring about technology innovation and modification of existing old enterprises. Some of these practices have already been introduced in attempts to expand the autonomy of enterprises.

IV. Development of Textile Industries With Special Regional Characteristics

With the passing of 30 years since the founding of new China, there are now textile industries to be found in every province, city and autonomous region throughout the country in varying scales.

Now, the industry locating policy adopted in China up to the present did not fully take into account the abundance of natural resources in a given area, geographical conditions, existing economic foundations or science and technology levels, and the location with respect to the rest of the country. There was a call for a uniform plan to set up a complete industrial system in each district to seek regional economic self-sufficiency. The cultural revolution was the wedge at which time the so-called "Xiao er guan" [small but complete] type establishment of local industrial systems of small-scale industries and different departments and industries were combined together by region (province level) and sometimes even down to the county. These are examples of what was described above.

In order to elevate the industrial departments known as the textile industry in every region, there was a strong trend to line up all different industries together as one set. As discussed before, the textile industry of China's comprised of the 10 types or lines, cotton textile, wool textile, linen textile, silk textile, printing, knitted fabric, secondary products, textile machinery, and weaving materials, and every locality tried to establish at least one of each kind. The plan to take advantage of the local features by extending the advantages of each region and exploiting the superior properties was avoided. There were times when such a course was criticized in that it brought out local imbalance. This standardization principle and average principle which prevailed in this industrial regional policy is now undergoing reevaluation in view of the situation that today there are considerable textile industries developed in all the regions. The so-called "develop good points, avoid drawbacks," make use of the advantageous features, avoid the shortcomings; and "develop superiority" (exploit the superior aspects of each region) were proposed as a new policy for locating industry, and it seems to be the direction which future development of the textile industry will take.

When the textile industries of each province, city, and autonomous region of the entire country are considered from the viewpoint of how they extend the advantageous features of the district and exploit their superior nature, they can be classified under the following four types (Note 45):

1. Regions which develop superiority in nature resources. Some specific examples are Jiangsu and Hubei for raw cotton, Xinjiang and Nei Monggol for wool, and Sichuan and Zhejiang for silkworm cocoons.
2. Regions with technological superiority. Shanghai, Beijing, Tianjin, Wuxi, and Changzhou are regions which have superiority through their old and new textile industrial bases. In addition, there are regions with superior technology for special types of industry and products. An example is Zhejiang for silk textiles.
3. Regions with superior management advantages. Specifically speaking, this refers to a situation in which a local product is well known in the market and has gained customer trust, the region is located close to a port for foreign trade, and much skilled manpower is at hand. It is well known that the Shanghai textile industry best fulfills these conditions.
4. Regions which combine two or three of the types of features given above.

The following situations are the limiting conditions which determine whether the superiority of the textile industry of a given locality can be developed (Note 46).

The first situation is that a high production quota increase is imposed on the enterprise (plant) each year, and there is always effort directed at exploiting its production capability fully. This situation is summarized by the word "jin" [literally, urgent, tight]. In other words, this points to a situation in which the production plant is assigned excessive production functions which are always pursued to the utmost. Under this situation, it is a natural consequence that even the textile industry of a region with superiority in technology or management is overtaken by increases in production quotas or production amount making it impossible to concentrate on research for new technology as well as to make use of the results and not even to put more strength into production for export.

The second problem is that the quality, specifications, color, and design of the product are all dictated to the enterprise according to the plans of the departments concerned of the higher level organs while the enterprise (plant) is bound hand and foot by these. This situation is summarized by the word "si" [death]. This pressure from above is so severe that it disrupts the intention of the enterprise to improve quality and increase variety.

The third problem is the situation summarized by the character "san" [dispersion]. This singles out the situation in which every local government level and every industrial department tries to plan development in a dispersed manner through its own "domain."

A problem which the textile industry recently has faced is the numerous newly constructed plants particularly in raw material producing regions (Note 47).

It is said that there are some regions where rural people's communes or production brigades have built their own small-scale spinning and weaving plants, silk plants, or knit fiber plants. The textiles produced by these plants in the raw material producing areas are often of inferior quality and the cost is high. This is why many of them have very limited domestic sales and export is well nigh impossible. On the other hand, traditional textile centers such as Shanghai and Tianjin are sometimes faced with raw material problems. In other words, the phenomenon of the small plants being built in the raw material producing regions pushing the large plants of the finishing strongholds by "yi xiao jida" [literally, using the small to push aside the large] is taking place in the textile industry. This makes it difficult to combine the technological and operational superiority of the finishing strongholds with the superiority in resources of the new material producing regions.

The following measures have been proposed in order to resolve the situation described above which limits development of the superior features of the different regions. Some of these measures are already being tried out.

First of all, with respect to the situation termed "jin," targets for the rate of increase in production volume is to be determined in line with the degree to which the special features of the region and enterprise can be exploited. The practice up till the present of ignoring economic effects and going for a high rate of increase in an all inclusive, single-minded effort is now being criticized. In addition, the local textile industry's departments concerned are charged with assigning suitable interrelational target goals. For example, the Shanghai Textile Industry Bureau has already put out the following work rule with respect to this problem. Should there be an inconsistency between production quota and production volume, then production volume will prevail. Should production volume be inconsistent with quality and variety of products, then quality and variety will prevail. Should product variety and foreign exchange acquisition be in conflict, then foreign exchange acquisition will prevail. This is said to be the present setup (Note 48). In addition, the granting of autonomy to the enterprise to determine the targets of the various plans may become one of the future subjects. An even better approach will be to propose an economic policy which will coordinate the making of profit and acquisition of foreign exchange with increase in production quotas.

Let us now consider measures for the situation referred to as "xi." Here the subject of market supply and demand adjustments is the main thing. This is now being practiced as one phase of the expansion in enterprise autonomy which was initiated countrywide in 1979.

Let us now look at some specific examples of market supply and demand adjustments practiced in Shanghai, Jiangsu and Zhejiang (Note 49).

1. Holding a new-product display and sales conferences. The price of new products is established by joint determination of the industrial and commercial departments concerned and receives approval from the price control departments.

2. Cooperation between plants and stores. There is the case in which plant and store relationship is one in which the concerned plant and store departments in

partnership and the case in which each seeks its own partner. The latter is the case in which the commercial departments strongly request lowering prices of goods which have been directed from export to internal consumption and that in which the plants look on their own for buyers.

3. Establishment of a new-product test retail section. The greater portion (80-90 percent) of the products actually sold in such retail outlets are goods which have been redirected from export to internal consumption, products which the commercial departments were not able to purchase, or products which were produced beyond the planned production of the plant. New products are seen very infrequently.

4. The so-called "private plot" formula. Just as the farmers are allowed "private plots" to earn income, an enterprise (plant) is allowed to use a part of its machinery (1-5 percent) to produce whatever type product it decides to manufacture, and independent search for a sales outlet is a part of this "private plot" method.

5. The so-called "fusion of industry and commerce." In order to advantageously coordinate production and sales, the plants do not leave the sales of products to the discretion of the commercial departments but themselves perform this function, which is called the "fusion of industry and commerce" method. The ribbon lace industry of Shanghai is one industry which has introduced this method and has been coming up with good results.

All of the above methods represent attempts at somehow easing the rigidity in supply and demand adjustments of the present national plan which is unable to cope adequately with the needs of the constantly diversifying market and also to make up for inadequacies. The fact that the tests being conducted by the Shanghai industry are but tentative first steps is indicative of the situation that the above-mentioned methods involve sales which are but 5 percent of total sales and mostly involve products manufactured under national plans which were originally intended for export but were then rerouted for domestic consumption, and new products are still very scarce. Market tests on demand and supply adjustments show the need for future trends to grant the enterprises greater autonomy in the selection of products to be manufactured, modify the present price structure which does not consider good or bad quality with one in which higher price is assigned to products of higher quality, and induce the country to engage in more energetic encouragement and subsidies for the production of new products.

Finally, let us consider the "San" situation (Note 50). First of all, as far as enterprises which have already been built in a dispersed manner are concerned, industrial association is being promoted whereby a cooperative system with division of assignments is made directed at the production of some final products. Some of these efforts include gradual modification and restructuring of counties and people's communes, even the small-scale textile industries which production brigades of communes have set up. At the same time, there will be a restudy of preferred treatment in the form of a 2-3 year period of tax-free status to facilitate dispersed small industry establishment on the part of people's communes and production brigades (Note 51). In addition, the textile industries of

the large cities of Shanghai, Beijing, and Tianjin are supporting the production of raw materials through capital and machinery directed to the regions producing raw materials such as cotton, hemp, wool, and silk and ensuring themselves an established raw material supply channel. This is a type of enterprise link-ups spanning provinces and cities which is being encouraged. Furthermore, when a raw material producing region supplies a production region more than the quantity called for by plan, appropriate measures for suitable compensational disbursement, return of goods, and distribution of profits are taken to encourage greater production of raw materials (Note 52). In any event, it is claimed to be more advantageous that raw material producing regions be encouraged to produce more raw materials through proper incentives than for the raw material producing regions to blindly build inefficient small plants of their own.

V. Strengthening Economic Adjustment and the Textile Industry

Because the economic readjustment initiated in 1979 was not sufficiently effective, plans to strengthen readjustment through some modifications were introduced in 1981. The period of economic adjustment was lengthened from that initially anticipated, and the need to continue this readjustment throughout the entire Sixth Five-Year Plan (1981-1985) was formally acknowledged (Note 53).

In the midst of this economic readjustment which had to be strengthened midway, just what direction in development might be expected in China's textile industry? Let us look at the directions and tasks of the textile industry 1981 hammered out at the national textile industrial bureau heads' conference held in Beijing between 13 and 23 February 1981 (Note 54).

First of all, the need to respond to changes in consumer activities of the people is required of the textile industry. These changes refer to that phase of the people's existence in which the level of clothing is improving. For example, the portion of the nation's retail sales of consumer goods accounted for by retail clothing sales was 22 percent in 1975 and increased to 25.2 percent in 1980 (Note 56). In addition, the results of a recently published survey of 500 households of staff members and workers living in the city of Shanghai showed not only increased disbursements for clothing, but a greater desire to purchase intermediate to higher grade products (Note 57). That is to say, as of the latter half of 1980, the outlay for clothing increased an average of 2.5 times over 1965 and this purchase accounted for 16 percent of the total outlay for product purchases, which represented an increase from the 14.4 percent in 1965. In this category synthetic fiber, wool, and silk textiles and their apparel products type middle and higher class clothing purchases increased by 6.2 times during this same period, and their portion of the total clothing outlay increased to 47.3 percent from 18.9 percent. In another direction, there was the contrasting phenomenon of the portion of disbursements for cotton textiles and cotton apparel versus the total clothing disbursement decreased from 29.6 percent to 9.3 percent. The living standards of staff members and workers of Shanghai probably is tops in this country, but the results of such household surveys are good indicators of the direction of change in the people's consumer habits.

In this manner, it is anticipated that the people will be making new demands for textile products in terms of quantity, quality, variety, and design. The way in which it responds to these demands of the people is what the textile industry

faces. That is to say, where the situation in the past was weighted heavily on increased mass production, the once lightly regarded improvement in quality and increase in variety and grades will probably be in greater demand. At the same time, in view of the differences in income levels of the people, the need for ordinary textile products with low price and low profit margin to provide a market for the low income group and higher class products for higher income people to comply with the various needs of the consumer public has been indicated.

Secondly, there is the trend for investment directed at the textile industry under this economic readjustment. There has been a repudiation in this economic readjustment of the one-sided emphasis on priority to heavy industrial development of the past to an emphasis on light industry, including the textile industry, but this does not mean that the scale in capital construction for the textile industry can be expanded unchecked. The textile industry will probably be required to cut down on its construction scale in a corresponding manner. To this end, construction funds are presently the most important and there probably will be an emphasis on projects with economic effect. Some specific investment to objectives include, first of all, the early completion and initiation of operation of important integrated fiber combined complexes which are presently under construction to resolve the present raw material problem. Next in line is probably investment to expand production capacity of the wool industry which at present is beset with demand and supply difficulties. Doubling wool production over the next 5 years is planned. In addition, the finishing and regulating of various textile products after printing are said to be weak, and investment in the renovation and modernization of machinery and facilities in this area is one of the points being emphasized.

In the third place, should the scale of capital construction be cut down, there may be even greater demand to exploit the capabilities of existing enterprises to the limit. One approach which may be necessary is modifying the technology of existing enterprises. Another approach which may be necessary is reorganization, modification, and promotion of combining enterprises spotlighting specialization.

NOTES

- (Note 1): "China Yearbook 1980," Beijing 1980, 331 pages. See reference material 1 of this report.
- (Note 2): Trade Promotion Headquarters of Japan, "China's Economy as Seen From Japan," Tokyo, 1980, 105 pages.
- (Note 3): Statement by a member of the Textile Industry Ministry at a briefing on the occasion of a visit in February 1981.
- (Note 4): NCNA Reporter's Commentary "Give a Proper Place to Light Industry and the Textile Industry," RENMIN RIBAO 30 May 1979.

- (Note 5): Same as above.
- (Note 6): ZHONGGUO SHEHUI KEYUE, No 3 1980, p 32.
- (Note 7): JINGJI JANJIU, No 1 1980, pp 8-9.
- (Note 8): Ibid., No 3 1980, p 38.
- (Note 9): Same as (Note 4).
- (Note 10): Editorial in RENMIN RIBAO 2 February 1980. See Note 3 in this report.
- (Note 11): SHEHUI KEXUE, No 2 1980, p 81.
- (Note 12): Same as (Note 10).
- (Note 13): Same as (Note 4).
- (Note 14): Editorial in RENMIN RIBAO, 23 January 1981.
- (Note 15): Same as (Note 10).
- (Note 16): RENMIN RIBAO, 19 January 1981.
- (Note 17): Hua Guofeng, Government Activity Report (RENMIN RIBAO, 26 June 1979).
- (Note 18): Same as (Note 10).
- (Note 19): Same as (Note 14).
- (Note 20): Same as (Note 10).
- (Note 21): Textile Industry Ministry's Research Office, "Prospects and Development of New China's Synthetic Fiber Industry" (RENMIN RIBAO, 24 September 1979). See Note 2 of this report.
- (Note 22): NCNA item, 18 February 1981 (ZHONGGUO TONGYIN, 23 February 1979).
- (Note 23): RENMIN RIBAO, 17 December 1980.
- (Note 24): Same as (Note 1).
- (Note 25): ASAHI SHIMBUN, 13 February 1981.
- (Note 26): ASAHI SHIMBUN, 13 February 1981.
- (Note 27): ASAHI SHIMBUN, 14 February 1981.
- (Note 28): Editorial in NIPPON KEIZAI SHIMBUN, 10 February 1981.
- (Note 29): Same as (Note 21).

- (Note 30): See Notes 7 and 8 in this report.
- (Note 31): Wu Fumin and Chen Ifana, "A Base From Which To March Towards Modernization," SHEHUI KEXUE, No 2, 1980.
- (Note 32): Same as above.
- (Note 33): Same as above, p 82.
- (Note 34): Same as above, p 83.
- (Note 35): Same as above, p 84.
- (Note 36): Methods adopted for retaining profits by the textile industry include, in addition to the one used by the city of Shanghai, the methods of base figure profit retention + increased profit retention. This is a method which has been adopted on a trial basis by other industrial departments since 1980. In addition, there was a change from enterprise profit payment to an enterprise tax payment, and a method of giving bonus money as a means of using taxed profit to improve the welfare of the workers of the industry and to develop productivity is said to be in effect at some of the enterprises of the textile industry system in Szechwan Province (according to what was said at a briefing during a visit to China in February 1981). For the details of the profit retention system, see Akira Fujimoto's "Expansion of Enterprise Autonomy in China" (KYOSAN SHUGI TO KOKUSAI SEIJI, Vol 5 No 3) and Akira Fujimoto "Reform of China's Fiscal Management System" (Kobe University, KEIZAIGAKU NENPO, No 27). The explanation of profit retention by the Shanghai Textile Industry Bureau was mainly taken from (Note 31).
- (Note 37): According to a briefing attended by an office member during a visit in February 1981.
- (Note 38): JINGJI GUANLI 1981, No 1, pp 14-15.
- (Note 39): Text of (Note 31), p 84.
- (Note 40): Please refer to Reference Material 11 of this report for experiences in evaluation of enterprise achievements through internally calculated values by the Cotton Textile Industry Corporation of Shanghai.
- (Note 41): Text of (Note 38), p 15.
- (Note 42): The explanation of the management in Hubei Province given in this text was mainly taken from Jiang Chutang's "An Important Task To Rapidly Upgrade the Textile Industry," (JINGJI GUANLI, 1980, No 1). See Reference Material 9 of this report for a translation of this article.
- (Note 43): According to an individual who attended a briefing during a visit in February 1981.

- (Note 44): Sun Zhifang, "On the Need To Overhaul the Equipment Management System of 'Reproducing Antiques and Freezing Technological Progress,'" HONGQI, No 6, 1979, p 24.
- (Note 45): "View 'Developing Good Points and Avoiding Drawbacks' From the Point of View of the Ministry of Textile Industry," RENMIN RIBAO, 25 July 1980. The translation of this article is in Reference Material 4 of this report.
- (Note 46): The explanation of the situation given in this text was mainly from (Note 45).
- (Note 47): The explanation here is mainly taken from "The Small Must Not Squeeze Out the Large," RENMIN RIBAO, 17 November 1980. A translation of this article is in Reference Material 6 of this report.
- (Note 48): Text of (Note 45).
- (Note 49): "The Market Must Also Be Adjusted for Such Major Consumer Goods as Textile Products," JINGJI GUANLI, No 8, 1980, pp 36-37. A translation of this article is in Reference Material 6 of this report.
- (Note 50): According to text of (Note 47).
- (Note 51): The tax exempt status from industrial and commercial taxes and income taxes was abolished as of 1 April 1981 (NCNA, 14 February 1981).
- (Note 52): Editorial of (Note 14).
- (Note 53): NCNA Commentary (ZONGGUO TONGXIN, 3 February 1981).
- (Note 54): [missing]
- (Note 55): RENMIN RIBAO, 24 February 1981.
- (Note 56): Ibid, 22 February 1981.
- (Note 57): JIEFANG RIBAO, 1 February 1981.

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CSO: 8029/0109

INDUSTRY

'RENMIN RIBAO' ON ACTIVATING HEAVY INDUSTRY

HK071425 Beijing RENMIN RIBAO in Chinese 30 Nov 81 p 5

[Article by Qi Jian [7871 0256]: "How to Activate Heavy Industry in the Period of Readjustment"]

[Text] Our purpose in activating heavy industry at present is to further implement the principle of readjusting the national economy so as to enable our economy to maintain a certain rate of growth, to rationalize the economic structure and to improve the economic effect. An article entitled: "Activate Heavy Industry to Maintain a Certain Rate of Growth" (carried by this newspaper on 16 October) stressed the significance of activating heavy industry in an effort to maintain a certain rate of growth but hardly dealt with the question of what should be done by heavy industry during the readjustment period. This article deals with this question.

Owing to the influence of leftist guiding ideology that existed for quite a long period in the past, we one-sidedly stressed the importance of developing heavy industry and such a practice resulted in an abnormal structure which was characterized by paying too much attention to heavy industry and neglecting agriculture and light industry, which affected the development of the national economy. One of the important tasks in readjusting the national economy is to put agriculture in an important position and at the same time to step up the development of light industry and slow down the rate of growth of heavy industry so as to readjust the proportionate relations among agriculture, light industry and heavy industry. We have done such work over the past few years with considerable achievements. Good achievements have been made in agricultural production while light industry has been developing faster. The proportion of light industry in 1978 was 43.1 percent of the gross industrial output value. In September this year, it increased to 50.6 percent. The proportion of heavy industry was readjusted down from 56.9 percent to 49.4 percent. As the growth of heavy industry has been slowed down, we have consequently been able to use the necessary energy to develop light industry faster so as to ensure market supply, basically stabilize prices and improve people's living standard. The relations between agriculture and industry and the structure within industry has begun to harmonize and this situation has created favorable conditions for further improving the basic proportionate relations of the national economy such as the relations between the two big categories and the relations between accumulation and consumption. It is imperative, from the viewpoint of improving economic effect, to slow down the development of heavy industry.

The profit and tax revenue created by 100 yuan of funds in light industry is much higher than in heavy industry. Statistics show that in 1957, the former was 170 percent higher than the latter while in 1980 it was 210 percent higher. The consumption of energy to create 100 million yuan of heavy industrial output value is about 400 percent higher than light industry. Our gross industrial output value last year was 8.7 percent higher than the previous year and total energy consumption only increased by less than 1 percent. As the proportionate relations between light industry and heavy industry have been readjusted, the economic effect in the utilization of energy has been improved. Last year we saved 35 million tons of standard coal, of which 22 million tons were the result of the improvement in the structure of light industry and heavy industry. If we had not taken any measures to slow down the development of heavy industry, we would not have been able to guarantee the energy that was needed for the growth of light industry last year or this year.

The above-mentioned facts prove that it is imperative to slow down the development of heavy industry during the readjustment period. But some problems have cropped up this year and these problems merit our attention. That is to say, our heavy industry once dropped too drastically and there were objective reasons for such a drop. For quite a long period in the past, our heavy industry was mainly serving its own capital construction. But this year, our capital construction has been drastically curtailed. Consequently, orders for equipment and the purchases of the means of production have decreased and as a result, a number of heavy industrial enterprises did not have production tasks or operated below capacity. But there were also subjective reasons. For example, some comrades misunderstood the slowing down in the development of heavy industry as meaning that the industry was no longer important and consequently they regarded the existing heavy industry as a "burden." Some other comrades did not take active measures to readjust the structure of heavy industrial products and the service orientation of the industry, instead, they just maintained the situation of the industry and advocated that there should be "no changes in orientation and products, no laying off of staff and workers and no changes in equipment; tide over the readjustment to make a comeback." These comrades did not really understand the importance of readjusting heavy industry; on the contrary, they even bore resentment against the principle of readjustment. Because of the influence of such thinking, they decreased the output of products that should not have been decreased or decreased too drastically. Such practice not only hindered the readjustment of heavy industry but also hindered the readjustment of the national economy. If we do not overcome such subjective and objective reasoning and do not strive to change the trend of an excessive drop in heavy industrial production, we will only cause new difficulties for the national economy.

Can we say that to strive to maintain a certain rate of economic growth means that heavy industry should have the same rate of growth as light industry? No. We said that at present, light industry must develop faster than heavy industry. But we must also understand that industrial development is limited by various objective conditions. And first of all is the limitation of energy. No doubt, there are bright prospects for our country in developing energy, but for the next few years it can only be developed slowly and therefore we must mainly rely on saving energy in developing our industry. We have a big potential for saving energy but it needs a process to fully display such potential. Calculation shows

that under the situation in which other conditions remain unchanged, the consumption needed for an increase of 1 percent in the growth of our heavy industry will cause the growth of light industry to drop by 4 percent. Therefore in order to ensure the energy that is needed for a faster growth of light industry, we cannot but limit the supply of energy for heavy industry. Under the present conditions in which the supply of energy is tight, it is impossible to demand that heavy industry develop at the same, or at a similar, pace as light industry. Otherwise the growth of light industry will be drastically slowed down and such a situation is undoubtedly wrong. The development of heavy industry is also limited by other conditions such as the service orientation of the industry and the irrational structure of heavy industrial products. Therefore we must proceed from the present situation to minimize the development of heavy industrial production and strive to stop the drop so that production will gradually increase. Of course, because of different circumstances, the growth of heavy industrial production in one place may differ from other places.

How to activate heavy industry? The key point is to continue to readjust the service orientation of heavy industry and the structure of heavy industrial products and expand the range of service so as to meet the demand of customers. The demand of our national economy for heavy industrial products is enormous and covers many aspects and the demand has not been fully met. For example, the demand of the population in urban and rural areas for certain durable consumer goods is enormous; many peasants need enormous building materials to build their own houses. Following increases in the income of the urban and rural population, the demand for light industrial products will certainly increase and consequently light industry demands that heavy industry supply more means of production. The development of agricultural production also demands that heavy industry supply more and better products. The renewal of equipment and technical innovation in enterprises in particular makes new demands on the part of heavy industry. All these are favorable conditions for activating heavy industry. Heavy industrial departments such as machine building and metallurgy must be further diverted to the correct road of serving the technical innovation of the existing enterprises, serving the home market of agriculture and light industry, expanding exports and serving the modernization of national defense. Many enterprises have done this and surmounted difficulties, thus making contributions to the national economy as well as their own healthy development.

We must be resolute in preventing ourselves from committing again the previous mistakes of blindly developing heavy industry. We must prevent the misunderstanding which regards that by advocating the activation of heavy industry it is not necessary to readjust service orientation and the structure of heavy industrial products, to close down, suspend and merge enterprises and divert them to other production where necessary and to cut back where necessary. We must uphold the principle of realizing the proportionate relations among various economic departments with the main purpose of developing the production of consumer goods. Heavy industrial production must also be arranged according to this principle so that it will be in the interest of fulfilling the tasks of readjusting the economy. This is the correct way to activate heavy industry.

It is imperative for us to pay attention to economic effect in activating heavy industry. To improve economic effect is the key point in our economic work. But for quite a long period in the past, the economic effect of our heavy industry

was very bad and no considerable improvement was made over the past few years. It merits our attention that since this year, the quality of some heavy industrial products has dropped while the consumption of energy and raw materials has increased. One of the key points at present in improving the economic effect of heavy industry is to readjust service orientation and the structure of heavy industrial products so that heavy industrial production will accord with social needs. In the process of implementing the principle of readjusting, restructuring, reorganizing and upgrading, it is imperative to enable heavy industrial departments to work hard to improve quality, increase variety and lower consumption and costs so that it will be able to meet the needs of the national economy. A number of heavy industrial enterprises have been able to improve economic effect after decreasing production according to plan and consequently handing over more profits to the state. For example, the steel output of the Shoudu iron and steel plant in the first quarter of this year was 17,000 tons less than the same period last year; but the plant was able to increase profits by 14.8 percent. The Fushun No 2 oil refinery processed 100,000 tons less crude oil in 1980 than 1979, but it increased profits by 61 million yuan while the profits that were handed over to the state increased by 37 million yuan. The volume of crude oil processed by the refinery in the first half of this year again dropped by 2.7 percent, yet the profits continued to increase by 2.6 percent. These enterprises have the common features of improving management and carrying out technical innovation. As a result, they were able to improve quality and lower costs and produce salable products that are in line with market demand. We must popularize the experiences of these enterprises so as to improve economic effect. As the service orientation of heavy industry and the structure of heavy industrial products are becoming more rational and economic effect is improving rapidly, our heavy industry will be able to develop healthily and make greater contributions to the national economy and the modernization program.

In short, in activating heavy industry we must handle well the relations of economic growth, economic structure and economic effect. With regard to the view which considered the speed that can be reached as "leftist," the previous article pointed out that economic growth is the basis for a change in economic structure. Such a definition is based on the general trend in the development of social history. From the historical viewpoint, the structure of the manufacturing industry, the structure of distribution and the structure of consumption will change along with the growth of the economy. But it is not complete because it does not stress the significance of the important role of the economic structure in developing the economy and the proportionate relations during the current readjustment. The history of economic construction in our country over the past 32 years shows that the economy will be able to grow healthily and better economic effect is guaranteed only when the economic structure and proportionate relations are rational; otherwise they will affect the growth of the economy as well as the economic effect.

CSO: 4006/166

INDUSTRY

BEIJING RADIO INTERVIEWS ZHEJIANG'S TIE YING AT NPC

OW140623 Beijing in English to North America 0000 GMT 9 Dec 81

[Text] Premier Zhao Ziyang told the NPC last week that, compared with the corresponding period of last year, China's gross industrial output dropped by 0.2 percent in the first quarter and increased 1.7 percent in the second quarter. In the third quarter, it was up 3 percent, and in October, 10 percent. Zhejiang Province, in coastal east China, is among those regions leading the country in industrial development. Radio Beijing's correspondent (Chen Feng) talked with the first secretary of the CCP Committee of Zhejiang Province, Tie Ying, who is attending the NPC session in Beijing as a deputy.

Tie Ying wrote out some figures for Zhejiang's industrial growth since December 1978, when the country's economic readjustment program began. The rate of increase was close to 18 percent in 1979 and 27 percent in 1980. Industrial output from January to October this year was 12 percent over the same period last year. Light industry is taking up an increasingly bigger proportion in the province's total industrial output value. It will reach 63 percent this year.

Tie Ying said such a fast rate of increase has had no parallel in his province. Compared with 1976, profits and tax income from industry last year have risen more than threefold. Tie Ying explained how this was achieved.

He said: To put it in a nutshell, it is possible because they had carried out the policies and principles on economic readjustment laid down by the CCP Central Committee and they had done so in light of concrete conditions in Zhejiang. Zhejiang has a good climate with plenty of rainfall, making it extremely favorable for growing all kinds of crops. Moreover, Zhejiang has a fairly good foundation in light and textile industry. The province, therefore, decided to develop a diversified economy instead of developing only grain production. Now, many counties have set up bases for growing raw materials to feed the light industry. As a result, besides a slight increase in the grain output, 1981 has seen major increases in the output of tea, oranges, rapeseeds and so on. There has been a boom in rabbit raising, which is guaranteeing an ever-growing supply of rabbit fur for the woolen textile industry. Flexible policies with regard to purchasing prices and taxation have boosted the peasants' initiatives.

Another reason for the fast rate of industrial growth in Zhejiang Province is the reorientation of heavy industry. This again is part of the central government's readjustment policy. While, in the past, heavy industry served almost only heavy industry, it was now reorientated to serve light and textile industry, that is, to supply the equipment for retooling and technical transformation of the factories producing textile and other consumer goods. In this way, heavy industry in Zhejiang Province has maintained an annual growth of 5 percent when it dropped for the country as a whole.

Tie Ying also gave credit to the rapid growth of collectively-owned and commune-run factories. He said their production accounted for 40 percent of the province's total industrial output value. These factories are encouraged under the present policy as a supplement to state-run enterprises.

Tie Ying also described the effort made to renovate existing factories, which has resulted in the fast growth of output value. He said the funds used for technical transformation this year was more than 10 times that as in 1978, and most of the money was spent on retooling the light and textile industry and for energy conservation. Zhejiang Province, Tie Ying said, has very little coal, and therefore, a shortage of fuel. Remodeling boilers with a mind to saving coal consumption has been a major task. Much has been achieved in this respect by the small chemical fertilizer plants in which the province abounds. The province has also built a good number of small hydroelectric power stations and popularized methane gas and bone coal.

Industrial development in Zhejiang Province is now in orbit. The readjustments are beginning to show their effect. A more rational industrial structure is taking shape. Tie Ying looks with confidence to a steady growth in the coming year.

CSO: 4020/51

INDUSTRY

BRIEFS

JILIN LIGHT INDUSTRY--The Changchun First Light Industrial Bureau had prefulfilled the annual production plan by 27 days as of 4 December. The total output value reached 288.33 yuan, an increase of 15.3 percent over the corresponding 1980 period. [SK091008 Changchun Jilin Provincial Service in Mandarin 2200 GMT 8 Dec 81]

XINJIANG WOOLEN GOODS PRODUCTION--From January to September this year, Xinjiang region increased production of woolen goods by 36.1 percent over the corresponding period last year. In addition to production of woolen goods, regional production on the whole also increased to varying degrees. In the wake of increased production, the income of the masses increased and their livelihood improved. As a result, the people's purchasing power also increased. From January to September, some 21 million polyester cotton and synthetic fabric garments were sold, an increase of 42.4 percent over the corresponding period last year. [HK020626 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 Nov 81]

GUANGDONG MUNICIPALITY'S INDUSTRIAL PRODUCTION--Shenzhen Municipality has developed industrial production relatively quickly this year. By the end of October, the municipality had fulfilled its total industrial output value of some 120 million yuan, which was 76 percent more than in the corresponding period last year. The municipality fulfilled its total industrial output value for this year 2 months ahead of schedule. The municipality has developed light industry more quickly than heavy industry, especially its production of electric appliances. By the end of October, the municipality had fulfilled its light industrial output value of some 114 million yuan, which accounted for 93 percent of its total industrial output value and was 80 percent more than in the corresponding period last year. The municipality has carried out mass production of quality bedsheets, radio-cassette players, black and white TV sets and quality furniture. [HK150330 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 7 Dec 81]

CSO: 4006/166

SHENYANG COMPANY CHECKS BACKDOOR DEALINGS

SK130557 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 11 Dec 81

[Text] Shenyang Municipal Foodstuffs Company and its subordinate egg and poultry buying and selling stations recently engaged in backdoor dealings with commercial units and individuals which have relations with the company or its subordinate stations.

According to initial statistics, in the 3 months between 15 August and 15 November, these stations sold through backdoor dealings some 30,000 jin of eggs and 1,000 jin of beef and mutton at parity prices. Why does the foodstuff company repeatedly engage in backdoor dealings regardless of the party's discipline?

As far as can be understood, leaders of the foodstuff company and its subordinate business stations are afraid of three things. First, they are afraid of offending the higher authorities. They have satisfied all demands advanced by personnel of the higher authorities regardless of whether the demands are reasonable or not. For instance, these buying and selling stations have sold foodstuffs through backdoor dealings at the demand of a higher department on 30 occasions since 15 August.

Second, they are afraid of offending business units. For instance, they dare not hurt the feelings of personnel working at the (Dacheng) railway station for fear they would make things difficult for the company.

Third, they are afraid of offending business units and causing bad consequences for the workers. For instance, they have readily agreed to sell 800,000 jin of good eggs to a mess hall responsible person of the Shenyang Municipal Liquefied Gas Administrative Office.

Because of these fears, the company CCP Committee hesitates to check backdoor dealings. The company and its subordinate units urge persons at the upper and lower levels to check unhealthy tendencies and to strictly punish those who make things difficult for persons refusing to engage in backdoor dealings.

Why does the Shenyang Foodstuffs Company fail to check backdoor dealings? We blame the company leaders for their lax and weak leadership and their lack of determination in dealing with these cases. Nevertheless, we must not forget to blame the officials and persons who come to do backdoor dealings and who we cannot afford to offend. Our province still has many officials who exploit their positions and power to seek personal gains. The three fears stated by the Shenyang Municipal Foodstuff Company are of significance. This episode tells the people that to check the unhealthy tendency of backdoor dealings, we need the efforts of all quarters. Those who make things difficult for persons refusing to help them engage in backdoor dealings must be strictly dealt with. In doing so, we can stop backdoor dealings.

DOMESTIC TRADE

BRIEFS

GUANGDONG COMMODITY PRICES INSPECTION--A joint provincial and municipal group for inspection of commodity prices was officially established in Guangzhou on 28 November. Yang Deyuang, the vice governor of the province is the group leader while the vice mayor of Guangzhou Municipality, Zuo Ming, is the deputy group leader. The main duties of the inspection group are implementing the notice of the Provincial People's Government on stabilizing commodity prices and adopting measures to ensure that the prices of daily commodities are stable. At the same time, the inspection group will investigate and rectify the internal problems of all state-owned businesses, supply and marketing cooperatives, as well as industrial and commercial enterprises. The inspection group will send sub-groups to carry out investigations in Guangzhou Municipality and in other regions. The investigation starts on 1 December and will last for about 1 month. [HK031448 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 28 Nov 81]

CSO: 4006/166

FOREIGN TRADE

SPECIAL ECONOMIC ZONE AT SHENCHUAN TO SUPPLY FOOD TO HONG KONG

Guangzhou YANGCHENG RIBAO in Chinese 28 Oct 81 p 2

[Article by Lei Qiang [7191 1730] and Li Kaiyun [2621 7030 0061]: "How Shenchuan Agriculture Adapts To Development of Special Economic Zone"]

[Text] Shenchuan Prefecture wants to build a special composite economic zone with diverse trades and industries including processing industries for exports, housing industries, the tourist trade, and agricultural sideline industries to take advantage of its geographical position and economic conditions. In this special composite area, agriculture will occupy the major position, and as the economy of the special area develops, agriculture will increasingly demonstrate its important role. How to make Shenchuan's agriculture adapt to development of the special economic zone is an important problem currently requiring examination.

Shenchuan City is located on the east bank of the Pearl River, mountains at its back and the sea at its front. It is adjacent to British Kowloon, and is a land of plenty on the Pearl River delta. It possesses natural advantages for the development of agriculture. Looked at in terms of construction of the special economic zone itself, supply of fresh produce markets in Hong Kong and Kowloon, and rapid increase in the income of the masses in the special zone, vigorous development of Shenchuan's agriculture will be required. Right now vigorous action has to be taken to gradually change the backward condition of Shenchuan's agriculture to meet the requirements of development of the special economic zone.

1. Vigorous Building of High Quality Fresh Produce Production Base. During the past 2 years, for the purpose of increasing goods available for foreign trade and to supply market needs, Shenchuan has constructed a group of fresh produce production bases. However, for various reasons development of these production bases has not been balanced. Some of them have played a very good role while others either contracted or stopped operating after a period of development, and some of them never went into operation at all. Shenchuan's chicken raising industry was one industry that worked out fairly well and developed fairly rapidly. In 1978, it provided only 30,000 chickens for export. In 1979, it provided 300,000; in 1980, 630,000; and during the first half of 1981, the number reached 530,000. It is estimated that 1.3 million will be provided for the entire year. There are 36 chicken farms in continuous operation and raising more than 1 million chickens. Once the problems of supply of mixed feeds and seedlings for perennial crops have been

solved, the chicken raising industry can develop to become quite large. At the present time, mass enthusiasm for the raising of chickens is very high. While the quantity of chicken sales in Hong Kong and Kowloon annually reaches 36 million, China exports only 10 million annually. The potential for chicken sales to Hong Kong-Kowloon market is very great, so we must continue to consolidate the vigorous development of these old chicken raising bases in order to expand the Hong Kong-Kowloon market and meet the needs of the special zone.

Shenchuan currently has only somewhat more than 5,000 mu export vegetable base. Figuring 3 li [0.66 square meters] of vegetable land per urban resident, Hong Kong and Kowloon, with a population of more than 5 million, will need 150,000 mu of land for vegetable production. Therefore, if Shenchuan's advantages for taking a predominant position in the Hong Kong-Kowloon vegetable market are to be exploited, in addition to efforts of other kinds, it is necessary as well to gradually enlarge the growing area of the vegetable production bases.

Shenchuan's hog raising has also seen fairly great development with the building of 126 fairly large hog farms and 900 small hog farms with an investment of 3.8 million yuan. Later on because of failure to solve the problem of seedlings for perennial crops, a cessation of importation of mixed livestock feeds, and no implementation of policies, 220 hog farms went out of business throughout the city this year, and the number of hogs raised declined in a straight line. In 1978, 276,000 head were raised, but by 1980 only 160,000 head were raised, a loss of more than 100,000 head. Now the masses raise native breeds of hogs, for the most part, and feed them locally obtained feeds. Local breeds of hogs have much fat and little lean meat, sell at a low price, and are not much favored. In future, it will be necessary to implement policies and make efforts at solving the problems of seedlings for perennial crops and livestock feeds, build superior variety hog farms, concentrate on restoration of some commune and brigade hog farm production, gradually expand the quantity of livestock feed, and increase the number of hogs meeting export standards.

The key to future growth in poultry production bases lies in the introduction of superior varieties and in production of mixed feeds. Superior variety poultry farms and livestock feed plants must be set up to support development of poultry bases. In short, it is necessary to adapt general methods to specific situations, consolidate and develop existing production bases, create conditions, revive old bases, and set up new bases in order to meet the needs of large scale development of agriculture.

2. Make the Most of the Role of Shenchuan's Non-Special Area Agriculture. In Baoan County, of which Shenchuan is a part, and in areas adjacent to the special zone, geographical conditions are similar; the territory is vast, and there is lots of elbow room. In Baoan County, conditions are excellent for the building of vegetable, peanut, aquatic products, livestock, fruit, and such fresh and live produce production bases. A survey shows that Baoan County could best establish a strategic program for supplying mostly high quality fresh produce to the Shenchuan special zone and for export to Hong Kong and Macao, vigorously develop production of fresh produce, and gradually make Baoan County truly become a major supply base of farm products for the Shenchuan special zone and for Hong Kong and Kowloon.

3. Key Lies in Genuine Implementation of Special Policies and Flexible Measures. The Special Economic Zone must carry out more preferential policies for agriculture to attract foreign capital, advanced techniques, superior varieties, and methods of administration and management. Special preference has to be given some advanced techniques that are particularly advantageous in China's fresh produce production. In the case of modern high density fish and shrimp farms, ocean hatcheries, superior variety poultry farms, and mixed feed plants, which are able to play a role in demonstrating and promoting research and production, more preferential conditions have to be provided for the sake of promoting Shenchuan's agricultural development. Shenchuan's non-special zone agriculture should also benefit from the pertinent imported preferential treatment for the special zone agriculture.

The evil of stifling uniformity in management of fresh produce production has to be reformed, local areas and enterprises being allowed greater autonomy. At the present time, farm produce exported from the Shenchuan area has to be transported from the producing areas to the Wenjin ferry crossing where it is unloaded from vehicles and transported by the harbor trucking corp to Hong Kong. There are several links in the journey, and ordinarily more than a day's time is required, resulting in an extremely high damage or death rate each time. After the fresh and live produce arrives in Hong Kong, it is sold to the commissioned dealer of livestock yard, and the amount damaged, dead or lost are our responsibility. Dealer commissions that are too high, or failure to make payments promptly, seriously affect capital circulation and increase interests payments. All this directly impacts on local and grassroots initiative. We believe that the Shenchuan authorities concerned can organize the direct shipment to Hong Kong of fresh produce from the Shenchuan area, and after the goods is unloaded, imported goods can be loaded for the return journey so that trucks do not have to return empty, saving on transportation expenses for the Hong Kong segment. Otherwise, contracts may be signed with foreign traders that designate areas, with Hong Kong traders providing transportation and containers for export directly from the producing area with payment being made on the same day. Shenchuan departments concerned can also strive to set up multipurpose stores for meat, fruit, vegetables, and poultry in densely populated areas in Kowloon and the New Territories, and set up points for the sale of fresh produce, people producing it, transporting it, and selling it by themselves and getting payment on the same day.

4. Need for Gradual Readjustment of Structure of Shenchuan Agricultural Production in Adaptation To Development of Special Zone Economy. Last year the area planted to grain in Shenchuan was more than 300,000 mu amounting to more than 80 percent of the area cropped. This is not in line with development of Shenchuan as a special economic zone, or as a fresh produce supply base for Hong Kong and Kowloon. There must be further readjustment of the irrational structure of agricultural production with continued reductions in the area devoted to grain and to other economic crops such as sugarcane in a change to various fresh agricultural produce. When grain is lacking because of the reduction in the grain growing area, the system of "imports to support exports" may be employed, using export of fresh agricultural produce to earn foreign exchange and buying grain directly from Hong Kong for import. For the Shenchuan special zone, this would be extremely worthwhile.

Real implementation of the aforestated measures requires clarification of the direction of development of Shenchuan's agriculture in guiding thought. Most

important is vigorous support from policy measures for production of fresh agricultural produce, which can be gradually realized only through arduous efforts. At the present time, progress is very slow in Shenchuan's development of fresh agricultural produce production. The Shenchuan special economic zone's agriculture urgently requires development, and superior conditions make large-scale development possible. The key still lies in real implementation of special policies and flexible measures.

9432

CSO: 4006/120

FOREIGN TRADE

ARGUMENTS AGAINST AUTARKY AIRED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3 1981 pp 17-22

[Article by Chen Shouqi [7115 1108 3823]: "Make the Most of Advantages With Active Participation in the International Division of Labor"]

[Text]

(1)

The accentuation of strengths and the downplaying of weaknesses to make the most of advantages is a major program for the development of China's production, development of commodity flow, and undertaking socialist economic construction in accordance with economic laws.

In domestic terms, full implementation of this policy means that each region must undertake an economic analysis of production on the basis of its resources, workforce, capital, technology, and other such objective conditions, as compared to other areas, and do more of what is advantageous to the producer in areas of strength. Programs not advantageous to producers, or those in areas of weaknesses should either not be done or done but little, thereby effecting a rearrangement of production, establishing reasonable divisions of labor by regions and a unified system of domestic markets, and developing domestic trade to promote the building of the four modernizations.

In foreign terms, the implementation of this policy means carrying out analyses of products based on China's total resources, labor, capital, technology, and other such objective conditions, comparing this to foreign countries, and then concentrating on those products which are beneficial to the producers and which they are good at, while cutting back or stopping production of those which are not beneficial to the producers, or which they are not good at. Vigorous export of products for which China possesses a production advantage in exchange for products for which China is at a disadvantage in production should be done in active participation in an international division of labor, for active entry into international markets, and to make the most of foreign trade to advance four modernizations construction.

The accentuation of strengths, downplaying of weaknesses, and making the most of advantages are closely related and interlinked both in their domestic and foreign aspects. In the development of optimum production, in addition to making comparisons among one place and another within China, some trades and industries and some products should be compared with the situation in foreign countries to make plans

in concert with both a domestic division of labor and an international division of labor. In the development of commodity flow, quite apart from strengthening of market relations in various areas inside China, one must also strengthen relations with international markets in the case of some trades and industries and some products, combining the planning of domestic trade with planning for foreign trade. Both aspects play a role of mutual influence and mutual promotion, which are two links in carrying forward the socialist commodity economy.

This article puts forward some preliminary views only on the issue of how to actively participate in an international division of labor and vigorously develop foreign trade.

(2)

The international division of labor is an objective process of modern economic development that does not depend on an act of will. Whether one participates or does not participate in an international division of labor is not something one chooses to do. When any given country conducts foreign trade, it is participating in an international division of labor. No country in the world can place itself in a position of being outside an international division of labor and international trade. China is no exception. However, how a country participates in an international division of labor, and what kinds of products a country produces, or what kinds of goods a country exchanges with foreign countries must be a matter of choice, and can be chosen. Every independent country has to make such choices, and as a socialist country, China must make such choices all the more so, using as the point of departure in making such choices overall objectives in realizing the socialist four modernizations. Choice consists of comparing production conditions inside and outside one's own country, accentuating strengths, playing down weaknesses and making the most of the advantages of one's own country so as to derive relatively great economic benefits from being a part of the international division of labor.

Here the problem is with which kinds of foreign countries to make comparisons. The various countries of the world are in different stages of economic development. Some are economically advanced countries, while a greater number are developing countries. Their production conditions differ, so comparisons must be conducted individually. However, in terms of China's foreign trade picture, it is the economically advanced countries that are China's major adversary. They account for about 70 percent of China's import-export trade regularly. This state of affairs will not change within a short period of time. This is because developed countries are capable of supplying China with the technical equipment and materials in short supply that are needed in the four modernizations, and they are able to provide China needed markets for expansion of its exports. When we participate in an international division of labor, we are largely participating in a division of labor with developed countries. The comparison of advantageous and disadvantageous production conditions is also done largely with developed countries.

In comparison with foreign countries, abundant resources and a large workforce are the advantages China possesses. Insufficient capital and backward technology are China's disadvantages. To accentuate strengths and play down weaknesses, China will have to develop industrial production that uses fairly large amounts of resources, and to which labor input is high, but which require relatively little capital and

have low technological requirements; i.e., development of labor-intensive industries. It has to downplay development of capital (or technology) intensive industries. Commensurately, the export emphasis must be placed on labor-intensive goods, and the import emphasis must be placed on capital (or technology) intensive goods. Exchange of goods that can be produced at a profit for goods that cannot be produced at a profit is most profitable.

Labor-intensive goods means goods for which the labor intensivity rate is high and the capital (or technology) intensivity rate is low. By expanding production of this line of goods, not only can more resources be used, but employment may also be increased. At the same time, a greater saving in capital and a greater saving in technical equipment may also be effected, with the result that management will be fairly easy and productivity fairly rapidly formed. At the same time, production costs will be relative low, prices relatively low, and competition relatively strong, making for ease in breaking into the international market. This helps make the most of production advantages and export advantages.

By comparison with developed countries, China is in a disadvantageous position in the development of capital (or technology) intensive industries. Some products for which the capital (or technology) intensivity rate is high, particularly certain high-grade, precision, and advanced products, will be restricted in their production for lack of capital and technology. For the time being, China can produce some other products only with difficulty, and were it to produce them, because of high production costs and high prices, it would be difficult for them to compete with those from developed countries. Therefore, for China to produce them would not be as advantageous as importing them.

Expansion of labor-intensive industries under conditions of limited capital accumulation and limited investment means investment of capital and labor in areas in which productivity is relatively great, and little investment in areas in which productivity is slight so as to increase the effectiveness of capital and labor investment. Use of these advantageously produced products in exchange for products advantageously produced abroad is to derive great economic benefits for a relatively low cost. Thus, the role of international division of labor to save social labor and increase social productivity is served.

From this may be seen that joining in an international division of labor is an important supplement to self-reliance. When a country uses the production strengths of foreign countries together with its own production strengths, in addition to relying on the strengths of one's own country, one is also using the strengths of other countries. As compared with countries that do not join in an international division of labor, and in comparison with sealing oneself off, the national strength of one's own country is increased.

International division of labor and foreign trade also function as "conductors." The process of participating in an international division of labor and carrying on foreign trade inevitably leads to management capabilities, technological capabilities, and competitive capabilities, and these three things are precisely those in which we currently are experiencing insufficiency.

It must be pointed out that in China's expansion of labor-intensive products in order to join in an international division of labor, most important is the expansion

of labor-intensive industrial products for export. This is China's main orientation in joining in the division of labor with developed countries. As for other labor-intensive products such as special agricultural sideline native products, and handicrafts (arts and crafts), there naturally must also be active development of production and active expansion of exports. This is also one aspect of China's participation in an international division of labor (with developed countries). However, this is most certainly not the main orientation. This is not only because the orientation of China's development of industry is modern industry and not the handicrafts industry, but also because of the limitations of handicraft production in that quantity increases in output of items supplied for export is not readily possible. Another limitation is the consumption habits of developed countries in which the capacity of the market cannot be readily enlarged. There is not a single country in the world that has scored outstanding victories through competition in international markets by relying principally on handicrafts.

Our advocacy of the development of labor-intensive industries for participation in an international division of labor is not to say that we should entirely remove ourselves from capital (or technology) intensive industries, nor is it to say that we should rest content with such a division of labor structure. In the case of goods for which the capital (or technology) intensiveness is not too high, not only should we take the measure of our capabilities for development for the sake of the needs of domestic construction, but we should develop such goods with the needs of developing countries in mind. In addition, in the realm of capital (or technology) intensive goods, we are, it is true, in an inferior position relative to industrially advanced countries; however, this is not the same as forever being in an inferior position. In the future, we too can gradually move from inferiority to superiority, and the international division of labor structure can also change. Of course, this is not something that can be accomplished within a short period of time. Therefore, being realistic, for a fairly long period of time, it will be best for China to participate in an international division of labor largely through development of labor-intensive products, particularly through development of labor-intensive industrial goods.

(3)

China's export of labor-intensive industrial goods in exchange for capital (or technology) intensive industrial goods is exactly the same trend in the division of labor that has been going on in recent years between developing countries and developed countries. This is to say that it accords with an objective tendency.

In recent years as developing countries' industrialization has progressed, and as labor intensive industries have developed, their export of products to industrial countries has steadily increased. In addition, as a result of changes in the industrial structure brought about by the technological revolution, developed countries have developed even further their capital (and technology) intensive industries, and their export of products to developing countries has also increased. Formerly, developing countries produced mostly primary products, but now they are actively increasing their labor-intensive industries and capital (or technology) intensive industries, but now they emphasize development of capital (or technology) intensive industries. Such a change in production must inevitably be reflected in trade. In terms of long range developmental trends, in their mutual trade, the ratio of these two categories of goods will increase more and more.

In world trade in capital (or technology) intensive industrial goods, exports from developed countries have always maintained a monopoly position, but an overwhelming majority of this trade goes on among industrially advanced countries themselves. In recent years, exports to developing countries have gradually increased. This has been true particularly in machine equipment, communications and transportation gear, and precision instruments. In these lines, the increase has been remarkable. Such a direction of flow precisely reflects the dominance of industrially advanced countries and the inferiority of developing countries.

World trade in labor intensive industrial goods does not operate this way. Briefly, such exports by developing countries are greater than imports, but in some areas exports from developing countries are greater than imports.

One such area is textiles. In recent years developing countries have become net exporters and developed countries have become net importers of textiles. Developing countries have shown a favorable balance of trade, while developed countries have shown an unfavorable balance of trade, and this is growing annually. Formerly, developing countries were rivals of developed countries for textile markets, but now textiles from developing countries have begun to compete in the markets of developed countries. Naturally, it took a fight for the textiles of developing countries to get into the markets of developed countries (things such as developed countries accepting a general benefit system).

Machine industries are, in principle, also labor-intensive industries, and only when the labor productivity rate of developing countries is high do they possess an advantage in this field. In recent years with the development of machine industries in developing countries, some products have begun to gain dominance. One example is ordinary machine tools, which developed countries have always shipped to developing countries. In recent years, exports by the latter to the former have strikingly increased. Machine tools imported by the United States from developing countries amount to 9 percent of its machine tool imports. This is principally due to it being more advantageous for American concerns to produce high grade machine tools rather than ordinary machine tools, so it is better to import ordinary machine tools than make them themselves. This shows that the United States is in a position of relative inferiority while developing countries are in a position of relative superiority.

Accompanying the development by developing countries of labor intensive industries, and accompanying the development by developed countries of capital (and technology) intensive industries will be a rise in the dominance of developing countries in labor intensive industrial goods and an inferiority in such goods among developed countries.

China's development of labor intensive industrial goods for export in exchange for capital (or technology) intensive industrial goods is also entirely the same trend that has been taking place in the division of labor between China and developed countries.

In China's trade with developed countries, the ratio of labor intensive industrial goods exported is steadily increasing, and the ratio of capital (or technology) intensive goods imported is steadily rising. This tendency can only increase rather than decrease as China's economic construction progresses.

A look at the structure of goods traded by China and Japan shows that Japan's imports from China of fiber products, chemical products, wood products, and fur products account for 43.4 percent of the total, a relatively large amount being labor intensive industrial goods. Mineral products (including petroleum) amount to 43.5 percent. In Japan's exports to China, metals and metal products, machinery, motor vehicles and ships, chemical products, and optical instruments amount to 77.4 percent of the total, an overwhelming majority being capital (or technology) intensive industrial products. This structure is basically commensurate with the economic development of the two countries.

From this may be seen that increase in China's labor intensive industrial goods for exchange with industrially advanced countries for capital (or technology) intensive industrial goods both makes the most of our own strengths and permits use of foreign strengths. Such a division of labor accords with the objective tendency in economic development and accords with the needs of four modernizations construction. It should be actively engaged in a vigorously developed.

(4)

Active participation in international division of labor and active development of foreign trade requires a system that can assure it. But right now China's national economic system, including the foreign trade system, is still undergoing reform, so it is still not possible to say that a full assurance can be given. In both making the most of China's advantages and in making use of the advantages of foreign countries, numerous obstacles are encountered that do not permit making the most of our own advantages or using the advantages of others very well.

Though China has an advantage in the production of labor-intensive goods, the domestic price must be lower than the price abroad. The actual situation is just the reverse. In an overwhelming majority of cases, the prices of goods are higher than in foreign countries, meaning export losses and poor competitiveness. A production advantage is not turned into an export advantage.

In the production of capital (or technology) intensive goods, since developed countries possess the advantage, it is only normal that prices for such goods inside China should be higher than prices abroad, but for a large number of such items, the price for the same kind of goods produced in China is vastly higher than the import price leading to an import surplus. Producing concerns are unable to get low priced technical equipment and a supply of intermediate products, with the result that the foreign advantage cannot be put to use, and China's inferiority cannot be effectively remedied.

For export losses to become a regular and large scale phenomenon is very irrational. When this goes on for a long time and the abnormal becomes normal, some people suppose that export losses merely seem to be losses and that import surpluses are regularly greater than import losses so that in the overall accounting, there is no loss. Some people suppose that trade enterprises have export losses while industrial enterprises have profits, so the state subsidizes losses from profits, and everything is turned into a profit; it is only a bookkeeping matter. Such a view is manifestly very onesided. This is to look at matters only in bookkeeping terms and to overlook this situation not being good for the strengthening of the

economic accounting of enterprises or for improving administration and management. It is disadvantageous to the encouragement of exports and places a limit on imports. It is particularly unfavorable in making the most of China's advantages or making use of foreign strengths. In short, it hampers active development of foreign trade.

There are numerous reasons for the aforementioned situation, which may be summarized principally as follows:

- (1) Overpricing of renminbi in terms of foreign exchange. The price of export goods is high when list prices are converted to prices in foreign currency. Prices of imported goods, in terms of list prices converted to renminbi, are at a low level. Overly high foreign exchange prices impede exports and encourage imports.
- (2) Differences between domestic price levels and foreign price levels. Generally speaking, domestic price levels are high while foreign price levels are generally comparatively low, meaning purchase at high prices for export at low prices. Naturally, this results in losses, and in the case of industrial goods, losses are particularly great. In the case of imported goods, the foreign price, when converted to renminbi, is comparatively low, but the allocation price set on them inside China is very high. Importation at a low price and allocation at a high price naturally produces a surplus. But in recent years, owing to the rapid price increase in the international market of imported goods while no change has been made in the domestic allocation price has led to a surplus becoming a loss.
- (3) Overly high profits of industrial concerns. High profits when added to costs of concerns involved in foreign trade correspondingly increase losses. Production enterprises have high ex-factory prices and high profits from domestic trade, and low ex-factory prices and low profits from foreign trade. This makes production enterprises lack enthusiasm for exports.
- (4) Numerous taxes. At every stage in the manufacture and sale of export goods, a tax is levied and value added, increasing costs and making the ex-factory price higher. This increases export losses and impedes exports.

This flawed situation in the management system has endured for many years to become today an obstacle on the road to progress in foreign trade.

This year's initiation of tests of an internal adjustment of conversion rates for foreign exchange derived from trade, which focuses on current bad practices and strikes out on a new path, represents a breakthrough in the management system. It is a major reform. In another realm, the gradual step-by-step reduction or exemption from industrial and business taxes lowers foreign trade purchase prices and readjusts distribution of industrial and trade profits. These things will greatly help active participation in an international division of labor, and greatly help great development of foreign trade.

However, it should be realized that in order to further eliminate obstacles for the development of foreign trade, it will be necessary henceforth, to continue to carry out reforms from this foundation. Sole reliance on these present measures makes it difficult to eliminate export losses, difficult to institute all around respon-

sibility for profits and losses, difficult to vigorously develop production of export goods, and difficult to smoothly organize imports. This means that it is difficult as well to make the most of China's advantages and to effectively use foreign advantages.

Following the internal readjustment of conversion rates for foreign exchange derived from trade, special agricultural sideline native products will be sold at profit instead of loss. For a substantial number of industrial products losses will continue, particularly in the large cities of Beijing, Tianjin, and Shanghai, which have numerous industrial goods for export and the losses on industrial goods is differences in price levels inside and outside China, and not because of lack of advantages for their production. Perhaps it might be possible to change to use of average exchange cost of industrial export goods as the basis for setting the [foreign] trade conversion rates so that most industrial goods will show a profit, or at least no loss, and so arouse the enthusiasm of enterprises for exports and make other export items more profitable, as well as stimulating further increase in exports. Such a method would be helpful in all around encouragement of export policy and help make the most of China's advantages in production.

In the future, the price fixed for imported goods will generally be higher than the price for the same kinds of domestic goods. This is a measure to put a brake on imports and protect domestic production, which has a positive function. However, if protected industries and enterprises (including export industries and enterprises) use high priced imported equipment and raw and processed materials, this will correspondingly increase costs, thereby impeding competitiveness and weakening the aforesaid protection function, and produce a negative function. Possible consideration should be given a change from setting of prices for imported goods to setting of import prices on the basis of individual importing agents, and also strengthening the import permit system to strictly limit imports. This action would both help put into effect a policy of suitable limitation of imports, and would help in making use of foreign advantages.

The problems of levying taxes and adding value at every stage, and overly high profits of industrial enterprises relate to the fiscal system, and to the management system of industrial and commercial concerns, and should be arranged in an overall way by a system so that foreign trade concerns will not have to be concerned with them and can devote themselves singlemindedly to getting into the international market and giving a good account of themselves.

(5)

In actively participating in international division of labor, particularly in participating with a division of labor mostly with advanced industrial countries and the development with them of a trade relationship, will China's economic independence be hurt and China slide into a subordinate position? This is truly a question that should be seriously addressed.

International division of labor constitutes a tremendous system. It is something that was formed after capitalist production methods occupied a leading place worldwide, and particularly after the formation of imperialism. Within this system, developed capitalist countries occupy a "center" position, and backward undeveloped countries occupy a "peripheral" position to form a situation in which the "center" controls the "periphery," and the "periphery" is subordinate to the "center." It is as Engels long ago graphically described it: "The 'planets' revolving around the 'sun'."

Following World War II, the capitalist economically developed countries and the economically backward developing countries continued to maintain, in varying degrees, such a relationship of "center" and "periphery," control and subordination, in the international division of labor. Some so called "extroverted" developing countries penetrated the doors of transnational companies and used an expansion of exports as the locomotive in vigorous industrialization. Their economies had definite development and their production definitely grew, so that people exaggeratedly placed them in the ranks of the "medium developed nations," as though they had gone ahead of the developing countries. However, some people saw behind this facade a hidden side, and pointed out that this was only a "subordinate development," and an "increased poverty." This latter view was in line with the facts.

However, to be suspicious of joining an international division of labor solely on the basis of this background and facts is not necessary either. Since all countries are tied together by a hundred and one economic links in this world, and since production conditions in each country take countless forms, each having advantages and each having disadvantages, inevitably a division of labor relationship and trade relationships came into being. The issue is not whether to become involved or not in these relationships, but to make these relationships benefit national economic development. Not only do they not harm economic independence; on the contrary, they can strengthen economic independence.

China is an independent, autonomous socialist country in which industry and agriculture are fairly well developed. This forms the foundation of our four modernization construction, and it also forms the foundation for our development of foreign trade. With this as a prerequisite and under the guidance of correct programs and policies, we have the conditions for hastening an increase in productivity and the speed of economic development through participation in an international division of labor. We have, at the same time, the conditions for guarding against any harm that might come about as a result of our use of correct policies. Therefore our active participation with developed countries in a division of labor positively cannot lead to a position of subordination in this division of labor. China's economic development positively will not lead to control by developed countries, and will not lead to serious impairment from developed nations' cyclical economic changes as was the case with some "extroverted" developing countries.

China has an internal market that is vast, and China's development of exports is not to make them a locomotive for vigorous industrial development, but rather as a principal source of external repayment capabilities.

Internal technical equipment is of fairly large scale and imported mechanical equipment does not constitute a motive power for equipping industry, but rather is primarily a means of promoting equipment renewal and technological improvements. Domestic raw and processed materials are relatively plentiful, so imported raw and processed materials are not the principal source for supplying industrial needs, but are rather channels for supplementing things in short supply.

Therefore, our active participation in an international division of labor does not mean dependence on an international division of labor; the expansion of exports does not mean dependence on exports; and increase in imports does not mean depen-

dence on imports. This eliminates the possibility of turning into a "peripheral country."

Of course, China's economy is still very backward, particularly by every per capita indicator calculation, levels are extraordinarily low. However, in terms of mineral reserves, output of major industrial and agricultural products, total national output value, total national income, and such indicators, China is still in the forefront of the world. Our total energy is also fairly great. In a book titled, "Development of Dependence," written by Professor Yiwensi [phonetic] of Brown University and published in 1979 in the United States, China, the USSR, Japan, West Germany, France, and the United Kingdom were classed as the seven great "hub countries" of the world. Of course, this does not fit the facts; we have never been a "hub country," nor do we desire to be a "hub country." However, neither have we ever been in a position of being a "peripheral country," as all the world knows. Foreign scholars do not regard China as a "peripheral country," so we ourselves ought to be confident.

Therefore, our apprehensions about becoming subordinate as a result of active participation with developed countries in the division of labor are unnecessary.

9432

CSO: 4006/77

FOREIGN TRADE

BRIEFS

GUANGDONG SPECIAL ECONOMIC ZONE--The Shenzhen special economic zone in Guangdong is vigorously developing. During the past 2 years, investments totaling 5 billion HK dollars have been made by foreign firms in the zone. The most rapid development is in real estate. New houses with a total floor space of 2.4 million square meters have been built. [Beijing Domestic Service in Mandarin 0400 GMT 30 Nov 81]

CSO: 4006/166

LABOR AND WAGES

ECONOMIST DISCUSSES EMPLOYMENT PROBLEM

HK140650 Beijing ZHONGGUO XINWEN SHE in Chinese 0922 GMT 11 Dec 81

[Text] Beijing, 11 Dec (ZHONGGUO XINWEN SHE)--"Premier Zhao Ziyang pointed out in the government work report that it was necessary to 'actively develop the collective economy and the necessary individual economy of laborers and adopt various methods to place people awaiting employment in cities and towns into suitable jobs.' This is of the utmost importance. The employment problem is a serious economic problem in our country at present. It is, at the same time, a social problem. It affects social stability and unity. The development of a 'tertiary industry' could well be one major way of solving the employment problem." This was stated by Qian Jiaju, a member of the National CPPCC Committee and well-known economist, in an interview with a reporter of this news agency.

Qian Jiaju said: In America, people engaged in tertiary industry account for 70 percent of the employed. In Japan, they account for over a half. Obviously, our country cannot be compared with a developed capitalist country. However, there is a grave lack of service trades, something which can be felt by everyone. Take Beijing as an example. It is difficult to find a place to eat, have clothes made, get a haircut, take a bath and buy food, and there are also transportation difficulties. This is because there are not enough networks and points and also because of a serious shortage of shop employees and attendants. In the 20-odd years from 1957 to 1979, the population of Beijing proper rose by 45 percent, while commercial service points fell by over 74 percent. How could there not be problems? However, on the other hand, Beijing has a large number of youths awaiting employment who have nothing to do. It would be really great if we could solve [and] create employment by providing services.

Qian Jiaju said: According to statistics, if we were to restore the proportion of attendants in commerce and the catering industry in Beijing to the number of employed people to its 1957 level, we would need an increase of 100,000 people. If we were to restore this to its 1952 level, we would increase the number of people employed by 230,000. Further, the 1952 level was now even the highest level in history. In this way, we would be able to solve completely the problem of youths awaiting employment.

Qian Jiaju said: Recently, we have started to attach much importance to this problem. We have in recent years created numerous job opportunities and the collective and individual economies have also shown some signs of advancement.

However, results have not been that big. There were many reasons for this. The main one was that there were still some people who were afraid that, after the individual economy had been developed, we will go capitalist. This fear is truly groundless. With our country's socialist economy in such a strong position and heavy industry, light industry, commerce, banking, communications and transportation, motive power and raw materials all in the hands of the state, how could the collective and individual economies develop into capitalism?

Qian Jiaju was of the opinion that in order to develop the individual and collective economies, it is not enough to attach merely in principle importance to this problem. We must also adopt quite a few concrete measures. Hungary has adopted certain methods of rewarding small handicraftsmen which has livened up the Hungarian economy. These methods are worth studying. For instance, as far as free medical care, retirement schemes and other welfare benefits are concerned, people working in the individual economy or collective economy enjoy the same treatment as those working under the system of ownership by the whole people. Equal treatment is extended to them regarding assistance in constructing workshops, leasing equipment, providing favorable loans, supplying raw materials and so forth as if they were working under the system of ownership by the whole people. Qian Jiaju was of the opinion that if China could follow suit, the collective and individual economies could definitely be developed in a big way. In this way, not only could deficiencies in the state-run economy be made up, but basically the employment problem could also be solved.

CSO: 4006/166

LABOR AND WAGES

BRIEFS

HENAN TRADE UNION MEETING--From 23 to 26 November, the Henan Provincial Federation of Trade Unions held the second enlarged meeting of its Eighth Committee. Yu Yichuan, secretary of the Provincial CCP Committee attended and spoke. The meeting called on all workers and staff members to learn from the revolutionary spirit of the Chinese women's volleyball team. The meeting urged doing a good job of the following tasks: 1) strengthening ideological and political work for the workers; 2) promoting democratic management of the enterprises; 3) promoting the masses' production and strengthening education for the model workers; 4) ensuring trade unions assist departments concerned to improve living and working conditions for the workers, and ensuring that 5) organization of the trade unions is promoted. [Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 29 Nov 81]

HUNAN YOUNG WORKERS EDUCATION--The Eighth Hunan Provincial Federation of Trade Unions held an enlarged session of its Fourth Committee in mid-November. After listening to reports at the session, Wan Da, the second secretary of the Hunan Provincial CCP Committee stressed that the trade unions at all levels throughout the province must strengthen education for young workers. He said that half the working population of the province is comprised of young workers. Since these young people were all affected by the pernicious influences to varying degrees, we must teach them discipline and the legal system, and help them build a revolutionary outlook on life so that they can make more contributions to the four modernizations. In promoting education for young workers, Comrade Wan Da said that we must pay attention to the advanced as well as the backward. The trade unions must be resolute in helping the backward so that those who had gone astray will be put on the right track within 2 or 3 years. Comrade Wan Da said: We must be bold in correcting, educating and criticizing the backward young workers. Only then will we be able to overcome lax leadership over plants and enterprises. [HK031504 Changsha Hunan Provincial Service in Mandarin 1100 GMT 27 Nov 81] The meeting also adopted a resolution on the holding of the Ninth Provincial Congress of Trade Unions. The meeting elected (Peng Kui) a vice chairman of the Provincial Federation of Trade Unions. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 29 Nov 81]

CSO: 4006/166

GENERAL

SHORT SUPPLY OF EVERYDAY ARTICLES NOTED

Shanghai JIEFANG RIBAO in Chinese 9 Aug 81 p 1

[Article by Jiang Liyang [3068 4409 2543], graduate student of the Journalism Department, Fudan University: "Look at This Survey, Think About the Needs of the Masses, the Problem of the Shortage of Everyday Commercial Commodities Needs To Be Solved Urgently"]

[Text] Recently, readers have written us to complain that many small everyday commercial commodities cannot be found on the market. Although these commercial products are small, they are very important. Without them, people's lives will be inconvenienced. This reporter has therefore surveyed 100 varieties of general merchandise, household supplies, handicrafts and art supplies to understand their supply situation:

Twenty-eight kinds are readily available: canvas belts, elastic cord, heavy thread, balls of thread, paper based plastic combs, food bags, iron needle hoops, zero size snap buttons, cotton yarn, mercerized yarn, backpacks, soles for cloth shoes, nylon net bags, cigarette holders, lighters, calcium carbide, organic hairpins, iron wire combs, buttons, bamboo beds, bamboo chairs, oil containers, single edge razors, sewing needles, knitted bags, iron locks, aluminum needles, plastic water bottle casings.

The supply of 32 other kinds of products can basically satisfy the demand: paper yarn, polyester fiber coils, folding paper fans, pant hooks, collar hooks, cleavers, scissors, sanitary belts, balls of silk thread, pocket knives, fingernail clippers, tool boxes, dressmaker shears, key chains (rings, clips), cigarette boxes, pins, wooden combs, combed winnowing fans, double edge razors, grass mats, palm leaf fans, soap, matches, closet handles, 8 watt desk lamp parts, hinges, dust pans, nylon lace, mosquito net hooks, sorghum brooms, handmade cotton towels, iron locks.

There are temporary shortages of 29 kinds of products: shoelaces, steel hairpins, tailor's chalk, elastic bands, bleached yarn, rib knittings, gauze, elastic cloth, flower lace, window screens, diapers, floss silk, silk ribbons, bristle brushes, schreiner bands, overlock threads, artificial silk embroidery threads, Suzhou lace, plastic flowers, horn combs, mosquito killing incense, large size children's shoes, reed catkin brooms, low-grade lacquer chopsticks, dual use toothpick containers, plastic water buckets, sponge soles, split rope for civilian use, inflatable toys.

Eleven kinds of products are not supplied: shoes for 1 year-old children, children's handkerchiefs, clothes washboards, chopping blocks, knitted children's shoes and children's hats, old women's hairpins, hydrogen balloons, oval chains, cradles, tambours, crepes.

It can be seen from this survey that there are temporary shortages or no supplies of 40 kinds of products. Some varieties are available sometimes but the needs of the people vary. Why has such a situation emerged? According to analysis by comrades of concerned departments of industry and commerce, previously, because of the influence of the leftist guiding ideology in economic work, some small commercial products were treated as products of "feudalism, capitalism, revisionism" and eliminated. Some effective production, supply and marketing methods were abolished as "tails of capitalism," and the shortage of small commercial products became very serious. In recent years, after bringing order out of chaos, the situation has basically changed. The varieties and specifications of small commercial products gradually increased. Take Yuyuan Market as an example, the amount of everyday small commercial commodities has increased onefold over that available during the 10 years of internal chaos. But, compared to the people's ever increasing need, the supply far from satisfies the needs. At present, to further develop the production of small daily commodities, the following practical problems urgently need to be solved:

1. Overcome Ideology of Emphasizing the Large and Neglecting the Small; Uniformly Arrange for Production

Small everyday commercial products are products not included in the production plans and have a low profit margin, the productive value is low, the profit is small. In economic readjustment and reorganization, because some enterprises place more value on products with a high productive value and high profits, small commercial products are often suppressed or squeezed out, and even cancelled. This is one reason for the shortage of small commercial products. One factory changed to manufacturing parts for electric fans last year during the "electric fan craze," and since then, the small commercial products that it originally produced have not been available on the market anymore. Another factory shifted raw material for the production of small commercial products to the production of products with a high productive value, thus the production of small commercial products declined in a straight line. To change this situation, the production departments should overcome the idea of emphasizing large products and neglecting small products; they should start out with concern for the people's needs and uniformly arrange production of small items. While producing everyday consumer products with a high productive value, which represent consumption trends, attention also should be paid to doing a good job of producing everyday commercial products. The large and the small must both be considered in readjusting the structure of products and in carrying out joint reorganization. The Qianjin Radio Components Plant originally produced oil containers for sewing machines, last year it was combined with the electronic tube manufacturing plant and after the product structure was readjusted, production of oil containers was given to a factory in Nanhui, thus maintaining the supply of this small commercial product. This spirit of being responsible for the needs in people's lives is worth promoting.

2. Improve Business Management, Dig Inwardly for Productive Potential

At present, there are many problems in the development of the production of small commercial items, for example, certain small commercial products cannot be priced according to quality nor priced according to the amount of materials and labor used, and some do not realize any profit; this affects the productive enthusiasm of the enterprises. How can this problem be solved? The Shanghai Yihua Glove Factory has provided a good experience. This factory was originally named the Shanghai Hardware Plant, it produced sheet iron rice strainers and funnels. Even though the price of raw materials rose again and again, the factory assured supply and thought of many ways to improve the method of material input, conserved expenditures, reduced cost, and thus maintained the production of sheet iron rice strainers and funnels and the profit. Because the production of small commercial products is mostly labor intensive, some enterprises have implemented the economic responsibility system and earned more for more labor. Because unified responsibility for profit and loss was changed to the bearing of profit and loss by the enterprises themselves, the worker's enthusiasm was elevated and an increase in production of small commercial products was promoted. The hidden potential within the enterprises is still great. Even the Shanghai Everyday Chemicals Factory that had already accepted financial subsidies from the state still actively improved business management, reduced cost, and during the first half of this year, it also increased the production of mosquito-repellant incense by over 60 cases. Of course, for individual small commercial products, the benefits of the producer and the consumer should both be taken into consideration to enliven the prices.

3. Help Should Be Provided in Many Ways, Productive Enthusiasm Should Be Mobilized

The development of small everyday commercial products not only must rely on the "self struggle" of the enterprises and improvement of business management, it also needs help in all aspects, and help should be given actively in tax revenue, profit, loan and raw material supply. For example, raw material supply is a problem. Small commercial products are mostly characterized as "third class commercial products, first class raw materials." At present, the demand for first class raw materials frequently cannot be satisfied. The shortage of certain sizes of shoe laces, elastic bands, red silk ribbons used for wrapping gifts in marriage ceremonies, and diapers, which the masses have complained about, all are related to the insufficient supply of the raw materials of cotton yarn, man-made silk and rubber fibers. A good housewife cannot cook without rice. The state already has established regulations and policies actively to help the production of small daily commercial commodities. Units producing small commercial commodities should receive reasonable economic treatment, raw materials should have normal supply channels.

Comrades of related industrial and commercial departments finally said, there are many problems in the supply, production and marketing of small commercial products that urgently need to be solved. The production of small commercial products also involves light industry, handicrafts, the textile industry, chemical engineering, and the electrical machinery industry. Therefore, it is hoped that this city can have a unified agency to coordinate the work in this respect to facilitate the development of and enliven the production of small everyday commercial products.

9296

CSO: 4006/470

GENERAL

SCIENTIFIC EXHIBIT HIGHLIGHTS COMMERCIAL ACHIEVEMENTS

Shanghai JIEFANG RIBAO in Chinese 8 Aug 81 p 1

[Article: "Commercialization of Scientific Research Achievements, the City Holds Its First Chemical Engineering Technology Exchange Show, 130 Achievements Will Be Sold at the Show"]

[Text] A unique exchange exhibit of commercialized scientific research achievements--the Shanghai Chemical and Industrial Sciences Research Achievement Transfer and Exchange Exhibit will be held today at the Hongguang Middle School near the bund at Hankou Road.

In Shanghai, massive amounts of daily commodities and foods necessary to people's lives are being traded. In recent years, trade shows of production materials and equipment have emerged, but marketing of scientific and technological achievements is still in the first stages. To present this technological trade show well, the Municipal Chemical Industry Bureau yesterday afternoon held a preopening scientific research achievement transfer and exchange show. The research institutes of organic fluorine materials, petrochemicals, dyes and farm chemicals exchanged views on how to sell scientific research achievements. The Dafeng Chemical Plant introduced the benefits of purchasing scientific and technological products to facilitate each unit to do the preparatory work well and to participate in trading.

According to the responsible persons of the Scientific Research Department of the Chemical Industry Bureau, from the second half of the year before last to the end of last year, the Chemical Industry Bureau system's units have tried the transfer of 50 scientific and research achievements and obtained 740,000 yuan in transfer fees. There are about 130 scientific and technological items ready for transfer at this trade show. Among them, the "wave filler tower" developed by the Shanghai Chemical Engineering Research Academy was originally a kind of production equipment used in military and engineering production. Now it is ready for sale and its application popularized in the chemical industry. The new type of "ethylene acetate catalyst" developed by the Shanghai Petrochemical Research Institute is an indispensable catalyst in manufacturing polyvinyl alcohol fiber. Its international market price rises 50 percent every year. But its transfer fee is very cheap and the quality is as high as the imported product. The "burner" technology ready for sale by the Organic Fluorine Materials Research Institute can burn all kinds of toxic gases and will be greatly beneficial in improving environmental

protection in Shanghai. In addition, the "X-ray blue film base resin" developed by the Shanghai Synthetic Resin Research Institute, the colored rubber shoe technology developed by the Shanghai Rubber Shoe Plant No 9, the "chrysanthemic ester insecticide" developed by the Shanghai Farm Chemical Research Institute are all domestically advanced scientific research achievements and are also ready for sale at the trade show.

Yesterday afternoon, the reporter joined the comrades participating in the trade show and visited its exhibition hall. The entire trade show is set up in 11 classrooms, each classroom is decorated and filled. According to statistics, those participating in this trade show total 30 units including companies of the chemical industry bureau system, research (academies) institutes, factories and universities and schools. They have used graphs, numbers and real objects and exhibited the scientific research achievements of their units, marked out the subjects they are willing to accept and at the same time they also are prepared to conduct technical consultation and technical services activities.

9296

CSO: 4006/470

GENERAL

BRIEFS

ZHAO WORD USAGE QUERIED--Beijing, 9 Dec--The well-known mathematician Gu Chaohao, a CPPCC member, has pointed out Premier Zhao Ziyang said in his government work report that China should strive to treble [fan liang fan: 5064 0357 3972] the total value of its industrial and agricultural output in 20 years; does this "trebling" mean increasing by 300 or by 400 percent? If 400 percent is meant, the figure will have to rise by an average 6.7 percent per year in the first 10 years and by 8 percent during the second 10. There are three different ways of interpreting this "trebling." Some hold that it means increasing by 100 percent, some by 200 percent, and others by 300 or 400 percent. It is necessary to wait for a clear answer from the quarters concerned. [Text] [HK100614 Hong Kong HSIAN WAN PAO in Chinese 9 Dec 81 p 4]

HENAN IMPROVES POSTAL SERVICE--(Gao Zhiming), director of the Henan Provincial Posts and Telecommunications Administrative Bureau, recently went to Weishi County and other counties to conduct investigation and study. He put forth specific suggestions on improving the distribution of newspapers and journals and postal service in rural areas. He demanded that all staff and workers on the posts and telecommunications front wholeheartedly serve the peasants. [HK101227 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 5 Dec 81]

CSO: 4006/166

PUBLICATIONS

BRIEFS

HAINAN COUNTY DATA COLLECTION--The compilation of the national economic statistical data of Wanning County, Hainan Island, collected during the 32 years since the founding of the PRC has been completed. The data for the period of 1949-75 has been photocopied and bound into volumes, while the data for the period of 1976-80 is in the press. The body of Wanning economic statistical data contains the following nine items, namely, agriculture, industry, capital construction, commerce, labor wages, finance and banking, education, public health, and so on, which make up a total volume of 168,000 characters or more. Appendices such as the statistical data for foreign trade, commodities procurement, agricultural reclamation systems, and so on, are also attached to the part for communes. [HK100651 Haikou Hainan Island Service in Mandarin 0330 GMT 8 Dec 81]

CSO: 4006/166

HONG KONG BUSINESSMAN ANNOUNCES HIGHWAY PROJECT

HK150140 Hong Kong STANDARD in English 15 Dec 81 p 1

[Article by Chris Cheung]

[Excerpt] Beijing authorities have officially approved a Hong Kong-China super highway joint venture project linking Hong Kong, Guangzhou and Gongbei, which includes Macao, Hopewell Holdings Managing Director Gordon Wu announced yesterday.

Contracts to build the project are expected to be signed by two parties very shortly.

Construction of the 6-lane 240-kilometer highway, estimated to cost about HK\$2.4 billion, is scheduled to commence early next year and be operational by the end of 1985.

Answering reporters' questions after a banking symposium at the Hong Kong Polytechnic, Mr Wu said the massive project secured the official nod from Chinese Premier Zhao Ziyang during the managing director's recent visit to China.

He said the highway will facilitate both passenger and cargo traffic when fully operational by 1986. Detailed road toll structure has yet to be worked out.

But according to preliminary rate structure, a single trip for an automobile will cost HK\$80, and a 40-foot standard container cargo truck HK\$400.

The highway will start in Lokmachau in the new territories, and go via Shenzhen, Taiping, Humen and Panyu where it will branch out into Guangzhou and Macao.

It will be linked by more than 200 bridges of various lengths.

Mr Wu said the company had talked with Chinese authorities on ways to simplify border checks and improve road conditions enabling the movement of massive cargo trucks.

He hoped both the Chinese and Hong Kong Governments could come to agreement on these matters soon.

Mr Wu said travelling time from Hong Kong to Guangzhou will be shortened to about 1 hour, and to Macao will take 1 and 1/2 hours.

All along the highway, there will be hotel accommodations, fuel stations, retail shops as well as first aid stands.

Mr Wu said it would be too early to estimate the capacity of the highway, but it will certainly be greater than the current 140-kilometer Hong Kong-China road network's 3,000 vehicle trips per day.

According to initial agreements, Hopewell is to shoulder the entire cost and China provide the land involved in the project.

Construction personnel and workers will be recruited in China but paid by Hopewell.

Mr Wu disclosed that the contract will include a 3-year term for highway operation starting from the year when it becomes fully operational.

During the first 10 years, income from road tolls will go to Hopewell.

And for the next 20 years, 75 percent of the income will go to China and the rest to Hopewell.

Mr Wu estimated that they would be able to recover the HK\$2.4 billion cost plus interest in the first 10 years of operation.

Hopewell's idea for this project was initiated in 1978. But initial proposals met objections from the Chinese side in view of the vast use of agricultural land and the massive cost involved.

Hopewell's top management managed to jump over the hurdles through frequent contacts with Chinese authorities in the subsequent 2 years.

Mr Wu stressed there has been the need for a complete network in view of growing traffic and human movement between Hong Kong and China.

CSO: 4020/51

AUTHOR: BIAN Jing [6708 2417]

ORG: None

TITLE: "Seriously Reorganize and Reform Construction Industries"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 9, 30 Sep 81 pp 1-3

ABSTRACT: For a long time, under the influence of leftist ideology of economic work, basic construction plans vacillated constantly to impose upon the construction industries of Heilongjiang Province the following difficult problems: (1) Specialization and lack of balance among specialties; (2) Unreasonable distribution of projects to cause workers' livelihood to be insecure and the production technology weak; (3) Unreasonable system of materials supply; (4) Unreasonable accounting system; (5) Unreasonable business management. With these problems, each project took longer and longer, the cost was higher and higher, and the labor productivity lower and lower. The author proposes as solutions to these problems: (1) Organize a system of quality inspection for every aspect of a construction project; (2) Guaranteeing cost and quality through strict execution of contract; (3) Rectifying the business managing ideas of leaders, staff, and workers; (4) Reforming and reorganizing the structure of the construction industries. Detailed procedures and practices of these reform measures are illuminated.

AUTHOR: ZHENG Yuan [6774 3293]

ORG: None

TITLE: "Exert Efforts to Raise Comprehensive Economic Efficiency"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 9, 30 Sep 81 pp 4-6

ABSTRACT: In order to proceed with socialist construction, objective economic principles and laws of nature must be respected to use the least amount of labor to achieve the greatest economic result. This is the important experience gained from many years of practices and for it a very heavy price has been paid. Of the total basic construction investment of the nation, 60 percent is for building construction and every year the cost runs into billions of yuan. Projects of millions of m² of buildings of all types are finished every year. The economic efficiency of the building industries has, therefore, a very great effect on the entire national economy. In the 2 years of 1974 and 1976, the losses amounted to 50 percent and the state had to subsidize more than 440 million yuan. This is to say the building industries not only did not provide any accumulation for the state, they really lived off the state. Their profit has increased in recent years, however. In 1980, the profit per 100 yuan of investment had grown from 2.61 yuan of 1977 to 14.8 yuan. Projects are being completed faster and the quality of construction improved. Various means of further tightening the ideology and the system of economic responsibility to raise the economic efficiency of the building industries still higher are proposed by the author.

AUTHOR: XIAO Tong [5135 2717]

ORG: None

TITLE: "Several Problems in Raising Economic Efficiency of Building Construction"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 10, 30 Oct 81, pp 3-7

ABSTRACT: In recent years, as the emphasis on quality is being popularized, various forms of the system of economic responsibility have also appeared. Liaoning Provincial Bureau of Construction and Handan Municipal Company No 2 have produced better results than most. Their experience proved that in implementing the system of economic responsibility, the interests of the state, the industry, and the individuals must be closely united. The aim must be to produce bigger gains for the state, bigger retained profits for the industry, and bigger income for the individuals. With the new situation, some new problems have also surfaced, involving the following: (1) There is a need to emphasize scientific management to handle the relationship between speed of work, quality, and cost correctly. (2) Suitable work arrangement for the old, the weak, and the women workers is of paramount importance. (3) There should be continuous efforts to overcome equalizationism. The system of economic responsibility means distribution according to labor. More work more pay and no work no pay with awards and penalties is the system to be resolutely and fearlessly executed. (4) Policies should be stable. For example, in some areas, the cost of construction had been set at a certain amount per m², but as the workers' income increased in a large scale, the industry hastily changed the policy.

[continuation of JIANZHU No 10, 1981 pp 3-7]

to reduce the unit contract price. The aim of the industry was to increase its profit but the result was a loss of confidence among the workers. The author maintains that (1) The quality of a building is a many faceted thing. It includes the quality of design, the quality of structural members, and the quality of every aspect of the construction project. The key is the determination of the leaders to carry out a system of economic responsibility in every step and every aspect of the project to insure its overall quality. (2) Greedy for fat projects, unwilling to take on small ones, endless annoyance for customers due to poor building quality, endless postponement of completion date, demanding hard to obtain things under the threat of causing trouble, and accepting food, drinks, and other little favors are some among current problems to be dealt with so as to improve the reputation of the entire construction industry. (3) Work of political ideology should be carried in close connection with the economic work.

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Geology

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TITLE: "On the Seismic Stratigraphic Sequence, Lake Level Fluctuation and Oil Prospecting in the Qianjiang Depression"

SOURCE: Jiangling SHIYOU YU TIANRANQI DIZHI [OIL AND GAS GEOLOGY] in Chinese
Vol 2 No 3, Sep 81 pp 276-283

TEXT OF ENGLISH ABSTRACT: This paper applies the method of seismic stratigraphy to divide the stratigraphic sequence of the Qianjiang depression and to map the periodic fluctuating curves of the old lake level. The following results have been obtained:

1. Two erosional surfaces have been discovered recently, one at the top of the Jingsha formation of Lower Tertiary, and the other at the top of the Yuyang formation of Cretaceous. The authors suggest that the exploration of oil and gas pools should be associated with these unconformity planes.
2. Among the horizons of Lower Tertiary (the lower and upper parts of the fourth member, the third, second and first members in the Qianjiang formation; the fourth, first to third members in the Jinghezheng formation), we have found the relationship of onlap contacts. A new point has been suggested that some overlap unconformable stratigraphic oil and gas pools should be found in the northern part of

[Continuation of SHIYOU YU TIANRANQI DIZHI Vol 2 No 3, Sep 81 pp 276-283]

the Qianjiang depression.

3. With the correlation of periodic fluctuating curves of the lake level and the global Tertiary sea level, the Lower Tertiary in the Qianjiang depression has been further divided in age.

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TITLE: "The Maturity of Organic Matter and Oil and Gas Potential of Taiyuan Formation in Northern Ordos Basin According to Their Vitrite Reflectivity"

SOURCE: Jiangling SHIYOU YU TIANRANQI DIZHI [OIL AND GAS GEOLOGY] in Chinese Vol 2 No 3, Sep 81 pp 284-291

TEXT OF ENGLISH ABSTRACT: This paper briefly clarifies the basic geological theories of vitrite reflectivity (R° max) and gives a preliminary discussion with R° max on the conditions of oil and gas origin in the Taiyuan formation of the Carboniferous System in the northern Ordos Basin. It is suggested that R° max ranging from 0.5 to 1.3 percent is confirmed as the main stage of oil formation; <0.5 percent as the immature stage; >1.3 percent as the overmature stage, that is, the gas formation stage. The results show that the organic matter of Otoc County and its southern region have reached the overmature stage; in its northern region, the Taiyuan formation is just at the main mature stage, but the conditions of conservation on both sides, east and west, are rather defective, with the available

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region restricted to only a narrow zone in the southern part of the west. Finally, in combination with the geotectonic evolution, sedimentary characteristics and lithofacies of the basin, the districts of oil and gas potential of the Taiyuan formation have been divided.

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